

**THE PERSONAL NETWORKS OF SMALL FIRM ENTREPRENEURS
IN MALAYSIA: AN EXPLORATORY STUDY.**

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ABSTRACT

The development of social networks and networking has emerged as an important issue for the establishment and development of a business in a particular community. The importance of these issues is exploited by this study to discover the knowledge, understanding and the impact of entrepreneurs' personal networks on the development of small firms in Malaysia. This thesis is both a conceptual and an empirical investigation of the management of network members that enables small firm owners to effectively develop their businesses through social networks. The findings of this thesis specifically contribute to the existing literature of small firm entrepreneurs, where personal networks of entrepreneurs can be considered as one of the important variables for the performance and development of small businesses.

The study examines the relationships and the many of people with whom entrepreneurs are linked and gained help and support from during the start-up and running of their business. This study describes the personal networks of "Bumiputera" entrepreneurs (indigenous people in Malaysia) who lack a business culture and are also a minority in business even though they are the group who make up almost sixty percent of the Malaysian population. It should be viewed as an exploratory study based on a small group of entrepreneurs in the northern part of Malaysia. Therefore, an understanding of the cultural and economic conditions of this country is crucial and shall be considered throughout the discussion.

The study is based on interviews and questionnaires and has exploited the system of Methodological Triangulation when both quantitative and qualitative data are used in explaining these issues. Qualitative data is used to explain the problems and development of the network relationships while quantitative data is used to identify the network characteristics and compositions for the Bumiputera entrepreneurs. Both types of data, however, are interchangeably used in discussing the importance of the entrepreneurs' personal networks for their business development.

As a new business community, it is inevitable that Bumiputera entrepreneurs utilise their personal networks in many aspects of their business. A good relationship with their personal contacts can lead entrepreneurs to financial aid, business information, moral support, material aid and service, as well as new social contacts, access to the markets, business knowledge and skills, advice and other help. The study found that family and friends play an important role in networking due to the social culture and relations which are embedded in the Bumiputera people. Entrepreneurs who have more people in their personal networks, and utilised people who are also in business

(suppliers and customers) and related to business (bankers and government staff), tend to experience a greater impact on their business development.

The study demonstrates that Bumiputera entrepreneurs have a huge social resource which can provide them with a variety of help and support in business. A model for networking management has been developed in order to understand the relationship between entrepreneurs and their personal networks. This model includes four stages of development of the relationships i.e. the planning, establishment, development and maintenance stages. The research also suggests that people in the entrepreneurs' personal network can be categorised into three groups, based on the nature of the relationship. Primary networks consisted of family and old friends; Secondary networks included new friends, government staff (of agriculture and its related areas) and people in agriculture, trade and commerce, and other associations; and tertiary networks comprised of suppliers, customers, bankers and government staff (directly involved in the development of Bumiputera entrepreneurs).

Since in the Bumiputera culture certain relationships with people of personal networks have existed for some time, it was found that some of the management stages were missing. The qualitative discussion suggests that the stages, especially those of development and maintenance, have a crucial impact on the development of entrepreneurial businesses. It was also found that male entrepreneurs were active in networking while women were more selective in their networking due to cultural and economic limitations. In addition, women included men in their networks while men tended not to include women. Men therefore found it easier to create a stronger tertiary network than women. Government policy also plays an important role in structuring the personal networks of Bumiputera entrepreneurs. Bumiputera entrepreneurs include staff of government agencies as a part of their personal networks. This enables them to seek help and support for their business development.

The implication of the study is important for the Bumiputera community to develop businesses through their social networks. As a new business community, they must seek to carve their niche in order to obtain the social resources for the development and survival of the business. The study also shows that success related to active networking by invading other ethnic business (especially Chinese business communities) networks and including more people of the tertiary network as their close network members. In addition, it is necessary to participate in activities organised by the government and keep close links with their staff, since the government agencies can provide a wide range of business help and support. Finally, the study proposes a framework for the development of Bumiputera entrepreneurs' personal networks for their business development.

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CHAPTER 1

1.0 INTRODUCTION

This chapter presents the whole process and discussion of the research. The research is specifically referred to as an exploratory study with the primary aim of discovering and understanding the network structures and processes for small firm entrepreneurs. The study was carried out in Malaysia and puts the networking issues into the context of the cultural and economic conditions of that country.

The significance of this topic has arisen because networks and networking have recently been recognised as important phenomena in businesses activities due to their impact on businesses performance and development. In spite of intensive study of business and entrepreneurs, social networks, and the importance of small business in the social and economic development of the last few decades, the lack of attention given to exploration of the properties of business networks justifies their further study (Birley, 1985; Aldrich et. al., 1986; Casrud et.al., 1987; Curran et. al., 1993).

The discussion begins with the roles played and the problems faced by small firms, particularly in Malaysia. Subsequently, the relationship between the firms' problems and their association with the resources of the external environment will be elaborated upon. Discussion is concerned with how entrepreneurs establish networks of relationships with the social resources surrounding them during the management of their business activities. This discussion leads to the development of the research questions for the study.

The objectives of the study are formulated by referring to the research questions on networking management which attempt to discover the utilisation and development process of networks for small firm entrepreneurs. The approach to the study and a model of networking management of relationships are also developed. Methodological triangulation is adopted where both quantitative and qualitative data are used in the study. The outcome of the study explains the essentials of entrepreneurs' personal networks and the ways in which properties of these networks enable the development of their businesses.

1.1 The Roles of Small Scale Industries

The development of small and medium scale industries (SMIs) has been given priority in both developed and developing countries. This can be seen by the formulation of government policies and the establishment and involvement of government agencies in assisting SMIs in most nations throughout the world. In the United States, for instance, Small Business Administration (SBA) was established by the government with the purpose of helping the development of small businesses (Blackford, 1991). SMIs are seen as important not only as sources of employment opportunities in United States, but also as sources of innovation. Blackford also argues that small business have been integral to the economic, political and cultural development of the United States.

Meanwhile, public policies for small firms in Europe have been emphasised since the 1970s (Rothwell and Beesley, 1988). SMIs have become a strategy towards providing full employment, as they are important in contributing towards job creation (United Kingdom, 1988).

In most developing countries, SMIs are supported by the government because of their perceived importance in societal and economic development (Clapham, 1985). Besides their potential for generating employment and income, SMIs are also "important vehicles for promoting forward and backward linkages in geographically and economically diverse sectors of the economic" (Malaysia, 1990a:1). The effort required to develop small scale industries (SSIs) is significantly higher in developing countries particularly in the poorer nations. International agencies, government and voluntary bodies of developing nations are involved in this effort as well.

In Malaysia, SMIs play a substantial role in both industrial and economic development. The importance of this sector derives from its potentially significant contribution to the economy in terms of poverty alleviation, generating employment opportunities, strengthening industrial linkages, penetration of markets, and the generation of export earnings. SMIs can also be a vehicle for the poor to derive benefit from economic growth and provide an important training ground for the development and upgrading of entrepreneurial skills; and as a spawning ground for the birth of tomorrow's entrepreneurs (Mahathir, 1991). Therefore encouragement and governmental support for SMIs, in particularly small scale industries (SSIs) have become a major concern of development policy. It was reported in 1984 that SSIs accounted for about 65 percent of total business units in Malaysia but produced only 10 percent of the gross value of the output (Mohd-Nasser et. al., 1990)

1.2 The Problems Faced by Small Scale Industries

SSIs and medium scale industries (MSIs) in Malaysia are given encouragement and full support by the government, and are seen as one of the strategies for the eradication of poverty and restructuring of society under the New Economic Policy (NEP). However, they previously performed significantly less well compared to the large firms and their foreign counterparts. Many studies point out that the government has not succeeded in helping these industries, the main reason being lack of integration and a lack of a comprehensive approach to the development of these industries (UNIDO, 1990).

On the other hand, entrepreneurs themselves may contribute to their own business failure if they fail to understand the whole nature of their business requirements. To avoid business failure, an entrepreneur has to acquire some knowledge and understanding of managing a business, plus skill and experience in particular business areas as well as an ability for self-development. However, among the various factors contributing to the relative decline of SSIs which are specifically related to Malaysian SSIs (Malaysia, 1990a and UNIDO, 1990) are:

- limited access to institutional credits and working capital;
- inadequate linkages with large industries;
- limited access to the market and export penetration;
- inadequate technical skills and lack of managerial skills;
- inadequate access to basic supportive infrastructure such as industrial land and buildings;
- a general lack of entrepreneurial culture;
- a policy environment which has tended basically to be more effective in promoting larger scale enterprises.

Financial problems are generally considered to be one of the major difficulties of SMIs entrepreneurs (Johnson et al, 1982; Clapham, 1982). It is also a crucial issue for many small businesses in Malaysia (Malaysia, 1990b). SSI entrepreneurs normally fund their businesses from their own savings, loans from relatives or friends and the retained earnings of the business (Clapham, 1982; Price and Monroe, 1992). Relatives and friends in this case help to reduce financial difficulties faced by SMIs where an entrepreneur needs to establish, develop and maintain the network of relationships. It is argued the network ties with relatives and friends are important especially as a source of funds for the entrepreneur's business (Boissevan and Grotenberg, 1986; Zimmer and Aldrich, 1987).

Only 26.4% of small scale industries are able to secure a loan from the financial institutions (Chee, 1986). Chee also argues that inadequate finance and lack of access to commercial bank credit lead to a shortage of working capital. This in some way explains why entrepreneurs in Malaysia have relatively few network links with people in banking and other credit institutions. However, other reasons contributing to shortage of working capital are lack of financial planning, and a lack of or inadequate book keeping (Clapham, 1982). Many do not think that keeping proper accounting records is necessary for their business (Faridah et. al., 1990).

In addition, through the researcher's experience in training small scale entrepreneurs, it was found that the majority of participants who attended the courses either failed to systematically record their business transactions or simply kept no record at all. Besides, the majority of small firm entrepreneurs do not make a proper and formal (written) plan for their firms' activities during the business year. This is mostly because they do not know how to formulate a business plan; and few perceive it as important (Malaysia, 1990b). A business plan seems to be compulsory only for them to apply for the financial aids and credits from government bodies and financial institutions. However, for business purposes they formulate plans in their minds, based on experience through routine and day-to-day activities.

In his discussion of Bumiputera (Malay and other indigenous groups) entrepreneurs in Malaysia, Clapham, (1982) found that most firms did not prepare regular financial statements and were unable to present a profit and loss account and a balance sheet. Robbie (1983) commented that bank managers refused requests for finance from small business operators on the ground of a lack of profitability; poor track record, inadequate equity capital resources; lack of viability of the scheme, insufficient information; or trading difficulties. On the other hand, limited access to the financial institutions perhaps reflects upon the networking competency and ability of entrepreneurs in Malaysia.

Moreover, most entrepreneurs (Clapham, 1982, Malaysia, 1990a) argued that the financial institutions requested them to show adequate collateral in order to get loan approval, which normally they didn't have. The collateral requirement by financial institutions always seems to be a major problem for small firm entrepreneurs. Shortage of working capital may therefore arise from a lack of a business plan, lack of detailed accounts, inadequate book keeping, and lack of collateral.

Another crucial problem for SSIs in Malaysia is poor marketing management. SSIs managers are generally unclear of their market areas and segmentation; and eventually fail to realize their market potential. The volume of outputs produced by

the firm are normally based on trial and error and the past trend of the business. This is because they do not have the expertise or the resources to conduct market research, sales forecasting or sales force training (UNIDO, 1990).

In addition, SSIs also face problems in pricing their products, in design, promotion, competition, transportation and in the quality of their products (Chamhuri et. al., 1990). These problems not only restrict them from the penetration of the overseas market but also from the local market as well. SSIs mainly cater for local markets with only 11 per cent able to serve national markets and 7 per cent selling overseas (Malaysia, 1991a). Entrepreneurs in this case are more inclined to market their products locally, and networking with customers in local markets could restrict the development of their business. Perhaps entrepreneurs need to utilise their personal networks to market their products to wider markets at the national level and later plan for overseas markets.

MSIs and SSIs in Malaysia have limited access to the large scale industries (LSIs) compared to the industrialized countries in Asia like Japan, Korea and Taiwan. Only 13.8 per cent of the SMIs have fostered some linkages with other large and foreign joint venture firms in terms of business transactions and subcontracting (UNIDO, 1990). The major problem leading to limited access to the large industries is their inability to produce high quality output to meet market demand (Hasnah et. al., 1990). Hasnah et. al. further argue that this problem could be related to a lack of quality control in SSIs' production, market changes, lack of experience and skills in product design, inability to produce within target dates and low levels of technology used. These phenomena restrict the growth and development of SMIs.

Entrepreneurs should perceive that linkages with LSIs will enhance and encourage the future growth and prospects of their firms. However, the majority of SMIs are still labour-intensive and operate at a lower level of technological base (Faridah et. al., 1990; Malaysia, 1990b) and most of them are located far from city centres (Hasnah et. al., 1990). The technology used by small industries is often outdated where many of them rely on traditional technology (Chee, 1986).

On the other hand, lack of managerial skills and technical skills (UNIDO, 1990) are often due to insufficient knowledge of business management (Malaysia, 1990b). In addition, employee turnover is considered to be high due to the strong attraction from the large firms, and a lack of clear and written job descriptions for their employees which lead to confusion of tasks and resentment among employees. As a result, employees will leave these companies. These problems reflect the insufficiency of business management knowledge.

Inadequate access to a basic supportive infrastructure such as industrial land and buildings; a general lack of entrepreneurial culture; and a policy environment which tends to be more effective in promoting larger scale enterprises are among the factors restricting the development of SSIs. The latter relates to the unfair competition which may arise from government policies and tends to favour large scale enterprises (Chee, 1986; Malaysia, 1990a).

The above problems will directly or indirectly restrict the development of small firms, as can be seen through two perspectives. On the one hand, there is the firm's view of its external environments. For instance, lack of entrepreneurial culture and a negative policy environment are inclined to be the small firms external environmental perspective. On the other, entrepreneurs themselves may contribute to those problems. For example, limited access to institutional credit, limited access to the market, inadequate technical skills and lack of managerial skills, inadequate linkages with large industries are more related to the entrepreneurs themselves. However, those problems are closely associated with the personality and attitude, educational level and background, managerial skill as well as the ability and competency of entrepreneurs to utilise their personal networks for their business development. These criteria are inter-related but the latter is considered as a new variable in small firm development and needs further discussion.

1.3 A Definition of Networks

Small scale industries in Malaysia are operated in an open economic system whose activities and performance are normally influenced by the uncertainty of the external environment. As the environment changes, a firm has to develop its business strategies in a flexible manner in order to survive and be competitive in the marketplace.

Small firm entrepreneurs are not only the founders and the owners of the firm, but also the managers who are responsible for the firm's operations. An entrepreneur has to consider his or her firm's environment in developing business strategies for the coming year. A manager needs to understand the management process of planning, organizing, leading and controlling of an organization's resources. In addition, a manager needs to be able to use his or her knowledge and interpersonal skills effectively when dealing with external environments.

The external environment is defined as "all elements outside the firm that are relevant to its operation" (Stoner and Freeman, 1992:63). For example, customers, suppliers,

bankers, governments, competitors, and so forth; are groups of individuals outside the firm who will pose a threat unless respectable relationships with them are developed. Aldrich et. al. (1987) argue that "entrepreneurs succeed because they are able to identify opportunities and obtain scarce resources from their environment.....resources are obtained through exchange relationships between entrepreneurs and their social networks." (pp. 155)

The entrepreneurs' personal networks are considered important in the process of business formation (Johannisson, 1987b) as well as development (Rasmussen, 1992). This is because entrepreneurs' personal networks can provide various resources to help develop the entrepreneurs' business. However, these external resources are humans, like the entrepreneur and have a personal interest in interacting with the other parties. This social interaction between entrepreneurs and their external environments or social resources involves a reciprocal exchange of resources, information, help, supports and opportunities. In addition, these external human resources are inclined to offer encouragement and moral support (Carsrud et. al., 1987). Most of the small firm's external activities are concerned with these exchanges for the best interest of the business. An entrepreneur's personal network appears to be an effective strategy for getting access to, and exploiting external resources through exchange relationships.

In general, networking may be referred to as all the relationships an entrepreneur establishes around himself or herself with external human resources. A network, according to Heald (1983:17), is "a social configuration in which some, but not all of the component units maintain relationships with one another". It is the process of sharing contacts and obtaining resources such as information, advice, moral support, money, ideas and so on (Welch, 1980; Aldrich et. al., 1987; Dubini and Aldrich, 1991).

Dubini and Aldrich (1991) argue that a personal network consists of all people with whom an entrepreneur has direct relations including partners, suppliers, customers, venture capitalists, bankers, other creditors, distributors, trade associations, and family members (Figure 1.1). This research deals with entrepreneurs' personal networks and utilises some concepts of personal networks developed by Aldrich et. al. (1989) to Malaysian entrepreneurs. In this case, the above definition of an entrepreneurial network is used throughout the discussion in this thesis.

1.4 The Research Question

Many researchers argue that building contacts and networks are essential factors in business success (McMillan, 1983; Aldrich et. al., 1986, 1987; Dubini and Aldrich; 1991). If this is so, it is essential for an entrepreneur to make an effort to build contacts and develop networks (Birley, 1985). However, research into networks related to business success has been given little attention (Birley, 1985; Aldrich et al., 1986 and 1987; Carsrud et al., 1987; Curran et al., 1993).

An interesting part of the discussion is concerned with the exploitation and utilisation of networks by small firm entrepreneurs, particularly small firm owner-operators in Malaysia. Networks are presented as one of the most important resources since they provide a source of support and advice for the business. Therefore, a manager has to use effectively his or her interpersonal and network skills to deal with customers, suppliers, bankers, family, friends government staff and other personal resources for the development of the business.

FIGURE 1.1: THE RELATIONSHIPS BETWEEN SMALL FIRM ENTREPRENEURS AND THEIR PERSONAL NETWORKS



In this case, interpersonal and network skills seem to be inter-related to some of the above problems faced by small firms. For example, limited access to institutional credit will probably reflect on the entrepreneur-banker relationship; while a weak relationship between entrepreneurs or their firms and customers will contribute to the lack of access to the market.

Entrepreneurs can also seek to find assistance from their personal network members such as relatives and friends to overcome some of their problems. Perhaps some of them do not realise the extent of the resources available to them. However, these discussions present the importance of entrepreneur's personal networks for the business. The business can face problems if the entrepreneur fails to use the contact networks effectively. Figure 1.1 summarises the relationship between entrepreneurs and their personal networks.

In respect of the above discussion, several interesting questions can be studied on business networking, particularly in small firm enterprises. In general, the questions of how small firms behave and respond to their external environmental resources in the process of improving their business activities is of primary significance to this research. More specifically, the above issues will lead to the formulation of several specific questions such as:

- What are the current problems faced by the small firm entrepreneurs in Malaysia?
- Do entrepreneurs utilise their social networks to overcome these problems?
- What kind of social personal network groups are normally utilised by entrepreneurs for their business development?
- Are there any management elements present in the interaction between entrepreneurs and their social networks?
- What are the patterns of networks of relationships established between entrepreneurs and their personal networks?
- Are there any differences between the characteristics of networks established by men and women business-owners?
- What is the impact of the personal networks of entrepreneurs on their business development?

1.5 Importance of the Topic

The above questions leave the researcher with the opportunity of explaining the network utilisation and activities as well as networking processes of the small firm entrepreneur in Malaysia. Furthermore, building contacts and networks are the crucial factors in business development - little research has been carried out in this

area and has only begun to be explored in the 1980s (Aldrich et. al. 1987). Therefore, as small scale industries are of increasing importance to developed and developing countries, research into entrepreneurial networks needs to be given attention, in order to support the development of the small firms of the future.

Moreover, a new perspective and an understanding of the new variables which contribute to business performance and development have to be discovered and added to the current understanding of entrepreneurial functions. As discussed earlier, the factors that contribute to the failure of a small business may emerge from the entrepreneurs themselves. On the other hand, our understanding of the contribution of small firm networks to business success and failure is still in its initial stages, and research on the networking processes of small firms is considerably limited.

This study is based on the following assumptions:-

- Small firm entrepreneurs will normally utilise their personal networks to overcome their business problems;
- Small firm manufacturers who understand and realise the significance of their entrepreneurial networks for the development of their business will manage their networks of relationships;
- Network characteristics of male business-owners are different from female business-owners in Malaysia and;
- Small firm entrepreneurs who effectively utilise their personal networks are capable of developing their business performance.

The above assumptions relate to the entrepreneurs' personal networks, their importance for the establishment of the small business (Birley, 1985; Johannisson, 1988a) and the development of the small firm (Aldrich et. al., 1987; Johannisson, 1990; Curran et. al, 1993). Previous views of growth and development of small firms put stress on psychological characteristics, the backgrounds of entrepreneurs (Brockhaus, 1982; Honardy, 1982), economic conditions, location, markets and technological use (Clapham, 1985); as well as the managerial characteristics of managers (Stanworth and Curran, 1986). Gibb and Davies (1990) argue that the individual entrepreneur is seen as the key to the growth process. This argument relates to the personality of the entrepreneur such as having vision, motivation, ability to deal with uncertainty and risk, creativity, initiative and so on (see Chapter 3).

The growth of a small firm can be seen in terms of its performance in the marketplace (Gibb and Davies, 1990). This approach refers to the way in which the firm can develop through market penetration, product development, market development and diversification. The growth also refers to financial performance of the firm and its

ability to operate at maximum efficiency levels. Johannisson (1990) suggests that growth and success of the firm are closely related to entrepreneurial management, which in turn relates to a planning process to make the firm efficient in its operation. A planning process requires the entrepreneur to anticipate the market, financial situation, product, price, competition, sales volume, promotion and the changing of the firm's environmental elements.

Carland et. al. (1989) mention that many researchers recognise that vast numbers of small firms do not engage in planning at all. Shrader et. al (1989) report that 67 percent of the small firms in their study have no strategic planning. The reasons cited are inappropriate plans for business, the business is too small and lack of time. Brytting (1990) argues that some small firms are spontaneous in their planning to enable them to include chance and attempt to exploit opportunity. On the other hand, there are small firms that have a systematic plan. Some studies support the correlation between planning and performance (Gibb and Davies, 1990; Carland et. al. (1989). Interview material in this study supports a relationship between planning and performance, especially planning for the network (see chapter 8)

Growth and development of small firms relate to profit maximisation (Lafuente and Salas, 1989; Davidson, 1990). Davidson further argues that profit is not the sole determinant of small firm behaviour. The competence of managers (the individual), internal financing, internal human resources and internal material resources (the company) and product market conditions, as well as external financing, external human resources and taxes (the environment) are the factors affecting the ability of small firm to grow. On the other hand, he also argues that there are many factors relating to the willingness of the firm to grow, which include goals and needs of the manager, the attitude and belief of the manager and other psychological characteristics (the individual), goals, needs, beliefs and attitudes of business partner(s) and employees (the company), and taxes, legislation, persuasion and other environmental influences (the environment).

In summary the above discussion shows that the growth and development of the small firms can be affected by both internal and external factors. Internal factors refer to individuals and the firm while external factors relate to the environmental elements of the firms. Johannisson (1990:35) argues that "external growth implies that ownership control is replaced with co-operating as the means of getting access to resources needed to fulfil commitments." In fact, the small firm activities relate to their social interaction because businesses operate in an open environmental system. In some ways, network relations exist during the interaction between managers and

their firm's environment and the development of businesses requires networks among people within communities.

Thus, for the growth and development of the small firms, the existing business operation must be put into both a wider economic and a broader social context. The latter relates to entrepreneurial networks that could provide the firm with resources and allow entrepreneurs to mobilise their social resources. The study focuses on this issue. The network approach in this case concerns the various linkages between entrepreneurs and community members. Entrepreneurs' personal networks can provide money, business information, moral support, material aid, physical support, ideas, markets and other help for entrepreneurs. Networks with family for example can provide labour, capital, information and other social support for small firm enterprises. Government agencies can provide entrepreneurs with business information and ideas, business premises, basic infrastructure, knowledge and skills, finance and credit facilities, marketing, and consultancy and advisory services. Customers and suppliers are important as business partners, financial institutions can provide sources of capital, while local business associations and other entrepreneurs provide information, assistance, advice and social support.

The above discussion explains the importance of local communities in providing a business climate for the development of businesses (Birley, 1985; Johannisson, 1984; Johannisson, 1988a; Rasmussen, 1992). The linkage and transaction between an entrepreneur and a member of his community are the starting points for studying entrepreneurs through social networks (Aldrich and Zimmer, 1986). Theoretically, social network concepts provide some dimensions of network that are useful for the business development. The exchange process is an important network concept where the resources and information are actually obtained from and provided to another party (Boissevan, 1974; Lauman and Pappi, 1976; Cook, 1982; Aldrich et. al., 1987). It can be either voluntary or compulsory (Lande, 1977; Curran et. al., 1993).

In addition, the relationships may begin with simple and multiple relationships (Boissevan, 1974; Aldrich and Zimmer, 1986) and the strength of ties varies from weak to strong (Granovetter, 1986), depending on the level, frequency and reciprocity of those relationships (Aldrich and Zimmer, 1986). The higher number of people in an entrepreneur's personal networks (network size) provides him with many sources of support, while the varieties of people offer a variety of support networks. To ensure continuity in network relations between entrepreneurs and their communities, trust in relationships is necessary. These network concepts in some way could provide knowledge and explain the development of the entrepreneurs' businesses (see Chapter 3 and Chapter 4).

The importance of social networks for the development of businesses is inevitable. Therefore, this study attempts to reveal and improve the understanding of the networking process pursued by small firm entrepreneurs in order to enhance the network practice of the small firms. Specific objectives are discussed in the next section. It is necessary to mention here that due to time limitation for this thesis, the study only deals with the networking processes and network utilisation of the small firm entrepreneurs or owners. The results of this study will serve to provide useful guidelines for small firm entrepreneurs in particular; and as a guideline for the authorities in formulating their strategies for the development of tomorrow's entrepreneurs in Malaysia.

1.6 Objectives of the Study

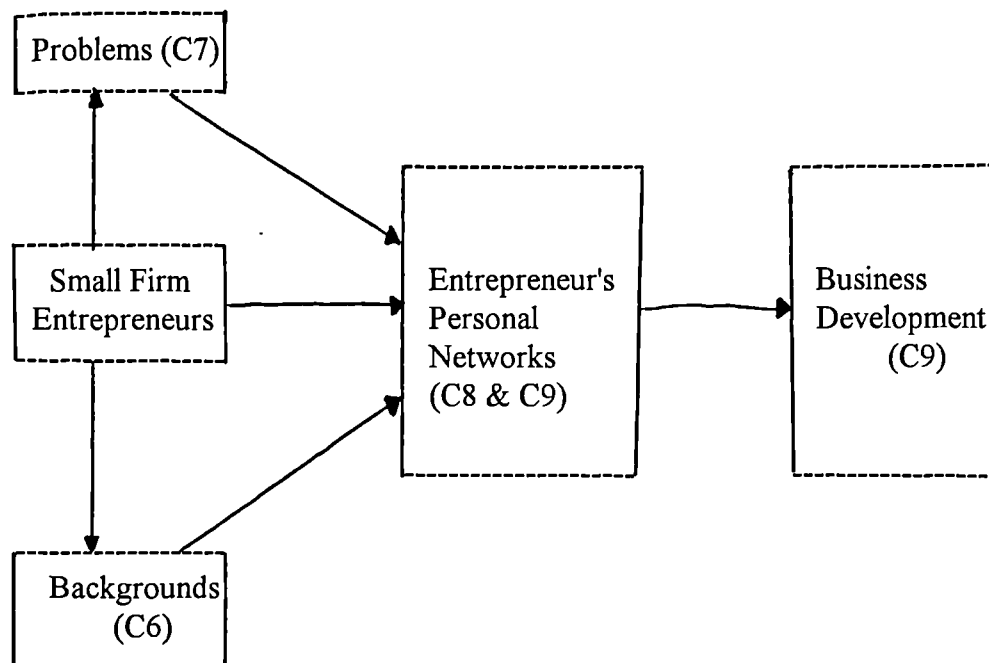
The general objectives of the study are to discover the framework of networks of small firm entrepreneurs in Malaysia. This involves an analysis of the processes and patterns found in small firm networks and their usefulness; and their relation to business development. More specifically, an investigation will be conducted on the basis of the objectives listed below:

- To investigate the structure of the problems faced by small firm entrepreneurs;
- To identify the types of personal network groups utilised by small firm entrepreneurs;
- To understand and explain the management activities involving networks of relationships performed by entrepreneurs;
- To compare the network characteristics between men and women entrepreneurs;
- To elaborate the pattern of network relationships between entrepreneurs and their personal network environments;
- To examine the impact of personal networks of entrepreneurs on their business development.

1.7 Approach of the Study

This study uses both primary and secondary data in the discussion of entrepreneurial networks. Secondary data were gathered from previous studies and government publications relating to network issues and small firms (particularly small firms in Malaysia). Primary data were collected from respondents i.e. Bumiputera entrepreneurs, and comprised quantitative and qualitative information. A semi-structured interview process was used for collecting the data. Figure 1.2 summarises the structure of the study which is based on the research's objectives when primary data are collected.

FIGURE 1.2: THE STRUCTURE RELATED TO THE ENTREPRENEURIAL NETWORK



The above structure gives a guide to the flow of the study and the literature review conducted. In addition, the current problems of small firms in Malaysia were also identified and explained in this study (Chapter 7). The owners of the small firms normally utilise their personal networks to overcome some of their problems (Chapter 7 and Chapter 8). The backgrounds of entrepreneur and business were also explained (Chapter 6) to enable an understanding of the structure of Bumiputera entrepreneurs.

An entrepreneur's personal networks were examined in terms of their utilisation (Chapter 7 and Chapter 8), characteristics (Chapter 9) and management (Chapter 8). Entrepreneurs are believed to use their personal networks for business assistance and development (Birley, 1985; Zimmer and Aldrich, 1987; Cromie, 1991; Curran et. al., 1993), and this study of network characteristics is an extension of the study by Aldrich et. al. (1989) to the entrepreneurs in Malaysia. Detailed explanations of the network characteristics are discussed in Chapter 4.

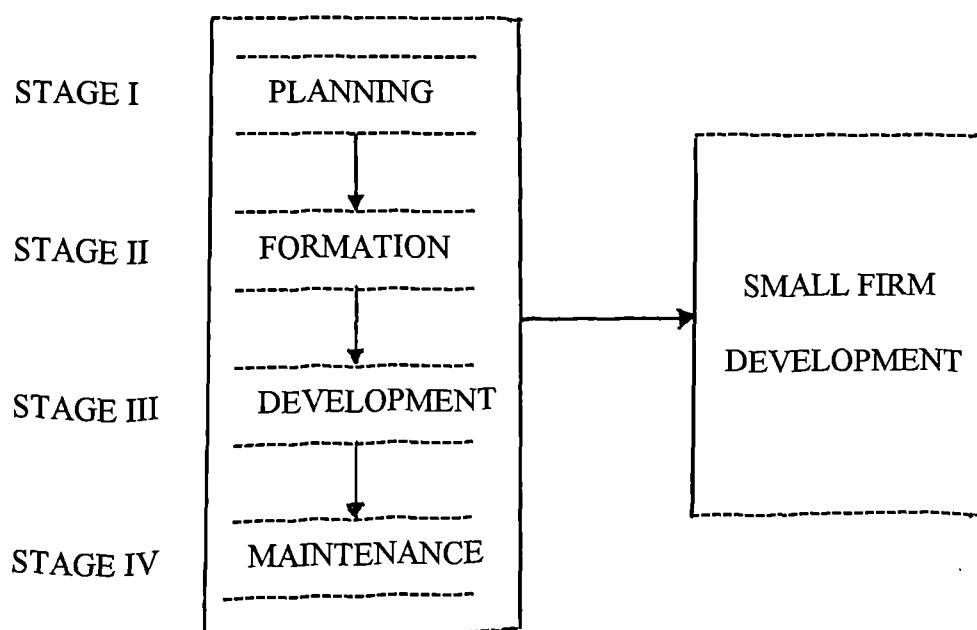
The management concepts deal with the processes of planning, organizing, leading and controlling the effort of an organization's members and the use of all organization resources to achieve organizational goals (Stoner and Freeman, 1992). These concepts are then introduced to the management of networks of relationships by entrepreneurs (see Chapter 3). In the case of an entrepreneur's personal networks, resources such as money, social supports, product ideas, markets and information are

obtained through exchange relationships between entrepreneurs and their social resources (Aldrich et. al., 1987). For example, financial aid for business can be acquired from relatives, information from friends, advice from consultants, and so on. These personal networks are a part of the wider business resource which can provide resources to entrepreneurs. A profitable and successful life (business) will result if someone knows how to manage these relationships successfully (Klein and Milardo, 1993).

In the case of the management of networks of relationships, the assumption of an underlying theoretical framework is developed. This assumption is useful to determine and understand the process of the development of entrepreneurial networks. The process, however, will be divided into four separate stages i.e. planning stage, formation stage, development stage and maintenance stage; which is then to be known as a model of networking management (Figure 1.3).

During the planning process, the interesting questions to be investigated and understood are; do small firm entrepreneurs plan their business networks? Why do they plan? When and how do they plan their business networks? and so forth. Then, the researcher examined how the managers form the initial relationships and establish their network of relationships with the people outside their firms. These activities are considered as the second stage of the process; which is called the formation stage.

FIGURE 1.3: NETWORK PROCESS OF SMALL FIRM



The next stage is the development stage. In this stage, the researcher investigated how managers develop their network of relationships for the development of their business. What types of rules and procedures are involved at this stage? The maintenance stage exists after strong commitment and trust have developed between both parties. It is interesting to observe how the relationships get to this stage, and the activities involved in this stage.

Business networks are assumed to be another variable which can be added to the existing model of small firm performance and development. At the end of the process, the researcher examines the relationship between the process of networking management and business development. Therefore, the above theoretical framework serves as a guideline in determining and understanding the networking process of small firm entrepreneurs (the model will be discussed in detail in Chapter 3).

1.8 Procedure in Doing Research

The thesis consists of ten chapters with the first Chapter discussing the overall structure of the thesis in brief. This also includes the roles and problems faced by small firms, research problems, the importance of the research, objectives of the study, approach to the study and a brief summary of each chapter.

The researcher's intensive search of relevant literature deals mainly with three areas, the review of networks and networking, literature on small firms and business organisations, and the methodology literature. Combinations of these three areas are used as a basis for the organization of the research approach.

In Chapter 2, discussion is focused on the Malaysian economy and the characteristics and development of SSIs. The analysis includes Malaysian economic performance and government policies on small firms in Malaysia; definition of the small firm; the ownership, development and dispersion of SSIs; as well as such things as production, marketing and technical assistance. In addition, the discussion attempts to look at those areas on the networking perspective especially related to the networking activities of Bumiputera entrepreneurs.

The literature on networks and networking processes is discussed in Chapter 3 and Chapter 4. This literature is mainly based on the economic roles of networks, characteristics of the network, network utilisation, and organizational linkages and networks. Furthermore, the literature on social and familial network analysis will also be useful for this study. The review of literature also involves relevant studies on network analysis which are closely associated with the model of the study. In

Chapter 3, the discussion of literature is based on the networking management model and concepts including entrepreneurial concepts, while Chapter 4 is more concerned with the practical aspects of network utilisation and the development of operationalized hypotheses.

As discussed earlier, the area of business networking needs to be explored extensively due to its importance for business performance and development. The literature concerning this knowledge is limited and the amount of attention paid to this area has only begun to increase over the past few years. In order to investigate business networking properties, an in-depth interview with particular entrepreneurs was considered appropriate for use in this study. The data was then analysed using qualitative analyses, content analyses, and descriptive and inference statistics. Chapter 5 discusses and justifies the research design used in the study.

1.9 Findings, Conclusions and Recommendations

Chapter 6 attempts to explain the background of the Bumiputera entrepreneurs and their businesses. The majority of Bumiputera businesses are relatively new (<10 years old) and small in size. The business culture among Bumiputera people has just begun due to government policy encouraging them to actively participate in business activities. Both males and females participate actively in the food industry. In this Chapter, a comparison between male and female business-owners is discussed. The researcher found that men are more active and have more chances of developing their business. This reflects the social structure and economic activities of a Bumiputera community where men are given obligations and responsibilities to support the family. In addition, many social activities are still dominated by men.

Financial difficulty is a general problem reported by many small businesses including Bumiputera entrepreneurs in Malaysia. In addition, Bumiputera entrepreneurs also face problems with marketing, employees, production and raw materials which could slow down their business development. Their low level of business education and small experience in a variety of business sectors contribute to these problems. On the other hand, both men and women use their personal networks (mostly families and friends) to assist them in reducing these problems. The use of families and friends explains that close ties are popular among Bumiputera entrepreneurs for obtaining business support, especially financial aid and business information. This reflects on the social culture and relations which are embedded in the Bumiputera community. The use of the spouse is also popular as reported by woman business-owners. In addition, government agencies support them in finance and education - the

government aims to create a 'Bumiputera Commercial and Industrial Community'. Chapter 7 deals with these issues.

In Chapter 8, the personal network groups are divided into three types of networks according to the activities and nature of social relations. Primary networks consist of spouse, parents and family and old friends. New friends, associations and some government agencies are included under secondary networks due to their relationships to, and function for the Bumiputera entrepreneurs. Tertiary networks which include customers, suppliers, and credit agencies have a direct impact on Bumiputera businesses. The relationships between entrepreneurs and customers and suppliers are essential for the businesses.

Using the model of networking management (Figure 1.3), it is found that some stages are missing for some personal network groups. Relationships between entrepreneurs and their primary networks are presented at the maintenance stage since the other stages are long established. In other words, networks between entrepreneurs and the members of primary networks are embedded in the social relations of Malaysian society. Some stages in the management of secondary networks of relationships are also missing due to the nature of social relations of these personal networks. Tertiary networks adhere closely to the model proposed since they provide essential information which helps with the analysis of each stages in the model. All of the activities relating to network management are studied in Chapter 8.

Chapter 9 describes the different network characteristics which include network size, intensity, density and cross-sex ties between men and women entrepreneurs. Men are found to be more active in networking activities while women include many men in their personal networks. This Chapter also explains the basic structure and pattern of networks of relationships between entrepreneurs and their personal networks. In this case, family and friends are the two popular groups normally utilised by men and women entrepreneurs in their business. It was found that primary networks are frequently used by men and women entrepreneurs. In addition, men also reported higher use of secondary networks for their business development.

It was also found that entrepreneurs with a high growth business actively discussed their business with more people. In addition, the use of members of the tertiary network by these entrepreneurs has some implication for business development - higher numbers of close contacts in the tertiary group were reported by high growth businesses. Entrepreneurs whose businesses are more than ten years old also had more people and included tertiary network members in their personal networks, but not as many as entrepreneurs in high growth businesses. In contrast, the owners of

low growth businesses talk to fewer people and are not concerned with tertiary network members. In general, this Chapter explains the effective utilisation of the personal network and its relation to business development.

Chapter 10 refers to the conclusion of the whole discussion in this thesis and the practical implications of network issues for the development of small firm entrepreneurs. Recommendations of how to manage networks of relationships, the importance of and availability of resources from network members, the skills and criteria required to be an effective networker, and how to maximize networking efforts are discussed in this Chapter. Chapter 10 also introduces a framework for incorporating a network perspective into the development of Malaysian businesses. Suggestions are made for future research in this area. In general, the findings add to the current understanding of the small firm functions, since personal networks of entrepreneurs play a vital part for the performance and development of small businesses.

CHAPTER 2

2.0 MALAYSIAN ECONOMY AND SMALL SCALE INDUSTRIES

Discussion in this chapter begins with the Malaysian geographical location and its economic environment which provide a favourable environment for external and domestic investment. In order to ensure continuity in national development, the government gives high priority to the development of small and medium scale industries as part of its national economic development strategy. The Bumiputera community is specifically encouraged to participate in business activities as part of the government's 'New Economic Policy' in order to eradicate poverty and restructure society. The chapter profiles Bumiputera small firms and the structure of Bumiputera and non-Bumiputera business communities.

2.1 Malaysia and its Economy

Malaysia is located in the heart of South East Asia, and its territory comprises Peninsular Malaysia, and Sabah and Sarawak in the northern part of Borneo Island. Peninsular Malaysia which extends from the Thai border to the island nation of Singapore, is the country's heartland. Its strategic position between the Indian Ocean and South Chinese Sea generates a meeting place for traders and investors from west and east.

Malaysia attained her independence in 1957. It is a small country of about 330,434 square kilometres and the total population is about 17.7 million inhabitants in 1990 (Malaysia, 1991a). The total population in Peninsular Malaysia is about 14.6 million, while there are 2.1 million inhabitants living in Sabah and Sarawak.

Malaysia comprises various ethnic groups of which Malays encompass 8.5 million (58.2%) and form the major ethnic group in Peninsular Malaysia. Chinese and Indian are 4.6 million (31.5%) and 1.4 million (9.6%) respectively. On the other hand, there are a variety of indigenous ethnic backgrounds (Malaysia, 1991b), with Iban, Kadazan and Bidayuh forming the majority in Sabah and Sarawak.

Malays and the other indigenous groups, (which known as the "Bumiputera") mostly live in the rural areas and are largely employed in the agricultural sector and government services. A small number of them are involved in the manufacturing and

commercial sectors. On the other hand, most of the Chinese live in urban areas and dominate in commerce, hotels, finance and the business service sectors. Whereas the majority of Indians work on rubber and palm oil estates, some of them live in the urban areas and are involved in the manufacturing, commerce and service sectors (Malaysia 1991c).

Malaysia's rich endowment of natural and economic resources has made her one of the most prosperous nations in the South East Asia region. Basically, Malaysia is a free-enterprise economy, and its growth and economic performance in the last few decades have been closely related to developments in the international economy. This is mainly due to heavy dependence on the country's primary export commodities such as rubber, palm oil and tin. The 1970s were the most favourable period for the world economy condition when Malaysia enjoyed high commodity prices and at the same time registered economic growth at an average rate of 7.6% per annum.

The prolonged global economic recession of the early 1980s resulted in a substantial decline in Malaysian commodity prices and a slackening of export demand, yet GDP annual growth during the period of 1980s and 1990s was 5.9 percent. The annual growth of gross domestic product (GDP) was further improved during the last five years with an average of about 8.5 percent a year surpassing the average percentage growth (7.5%) of ASEAN GDP (Ministry of Finance, 1992). The growth of GDP is expected to be stimulated by both domestic and external factors in future years.

The main contributor to growth for the period 1985 to 1990 was the manufacturing sector with its share showing a substantial increase from 19.7 percent in 1985 to 27.0 in 1990. The Manufacturing sector is expected to record a further growth to 32.4 percent in 1995 (Table 2.1).

On the other hand, agriculture and mining sectors showed a negative growth in 1990. The data in table 2.2 suggests that structural changes in economic development since 1985 (where manufacturing sectors supersede the agriculture sector) have been as a result of the government's policy on expansion and diversification of all economic sectors. In addition, the liberal policies offered by the government, such as tax incentives and support facilities for investors have also contributed to the rapid development of the manufacturing sector.

TABLE 2.1: CONTRIBUTION OF MAJOR INDUSTRIES
TO GROSS DOMESTIC PRODUCT

Sector	RM (million) in 1978 prices		
	1985	1990	1995
Agriculture and forestry	11,854	14,829	17,580
Mining and quarrying	5,958	7,688	8,280
Manufacturing	11,263	21,381	36,860
share to GDP (%)			
Sector	1985	1990	1995
Agriculture and forestry	20.8	18.7	15.5
Mining and quarrying	10.4	9.7	7.3
Manufacturing	19.7	27.0	32.4

Source: Malaysia 1991c:20

2.2 Towards the Creation of Small and medium Scale Industries

The above discussion reflects the fact that Malaysia is considered to be one of the most prosperous countries in the ASEAN region; and provides a favourable environment for external and domestic investment. However, problems of poverty and economic imbalances are astounding among ethnic groups and between urban and rural inhabitants.

The incidence of poverty in Malaysia is about 17.1 percent from a total of 3,614,600 households in 1990. The majority of the poor (i.e. about 67.3 percent of the total poor households) are those who live in rural areas (Table 2.2). It was reported that about 23.8 percent of the Bumiputera groups live below the poverty line; while Chinese and Indian poverty rates are about 5.5 percent and 8.0 percent respectively.

However, the average monthly household income in Malaysia is about RM1,167.00; and for Bumiputera, the mean household monthly income is RM928.00, below the average household income. On the other hand, the average household incomes for Chinese and Indians are RM1,631.00 and RM1,201.00 respectively - above the overall average income (Malaysia, 1991d).

Although these figures surpassed the government's targets, the incidence of poverty in the states of Kelantan, Terengganu, Kedah, Perak, Sabah and Sarawak has continued to remain high. The poverty line in Peninsular Malaysia is RM370.00, RM544.00 in Sabah and RM452.00 in Sarawak.

TABLE 2.2: INCIDENCE OF POVERTY AND NUMBER OF HOUSEHOLDS IN MALAYSIA (1990)

	Total	Urban	Rural
Incidence of Poverty(%)	17.1	7.5	21.8
Number of Poor Household ('000)	619.4	89.1	530.3
Incidence of Hard-core Poverty (%)	4.0	1.4	5.2
Number of Hard-core Poor ('000)	143.1	16.3	126.8
Total Household in Malaysia ('000)	3,614.6	1,182.7	2,431.9

source: Malaysia (1991d:109)

The above differences reflect the participation in economic activities of different ethnic groups. Most of the Bumiputera groups are involved in agriculture; and Chinese dominate the commercial and manufacturing sectors; while Indians participate in the plantation sectors and some business areas. Furthermore, the rate of unemployment among the rural population is considerably higher compared to the urban areas. The discussion also partly explains the business and social network structures of the Malaysian ethnic communities.

The majority of Bumiputera are involved in agricultural activities and people in agriculture are expected to have smaller personal networks but to have a higher density and multiplexity of network relations (Boissevan, 1974). In addition, Bumiputera people normally network among themselves due to the multiplicity of social and economic activities taking place in rural areas. On the other hand, Chinese people who are the majority in the business sectors, and live in the urban areas, are more active in networking activities. Their personal network is more diverse, and larger in size, which provides them with huge network resources for their business development.

The unbalanced participation of ethnic groups in economic activities explains the different patterns of network relations, as well as providing an advantage for each ethnic community (enabling them to a prolong monopoly in a particular economic sector). This phenomenon in the long term will lead to a fragmented and less secure nation; and provide an unsatisfactory ground for foreign investment. To overcome these problems, the government under the Outline Perspective Plan 1 (OPP1), introduced the New Economic Policy (NEP).

The NEP was designed with the overriding objective of fostering national unity and nation building, through the eradication of poverty by raising income levels and increasing employment opportunities for all Malaysians, irrespective of race; and the restructuring of Malaysian society by eliminating the identification of race with economic function and geographical location (Malaysia, 1986). These policies were carried out during the period between 1970 and 1990, after the 1969 racial riots. The result has been the building of foundations for a harmonious and secure nation. The policies also encouraged network relations across ethnic groups especially among Malay, Chinese and Indian communities where they were urged to be more close in network relations. This was to ensure cooperation among ethnic people, harmonious communities as well as a secure nation for the future growth of the Malaysian economy.

For the period of 1991 - 2000, the government formulated the Second Outline Perspective Plan (OPP2) based on a policy which is called the New Development Policy (NDP). This policy provides a broader framework for achieving socio-economic objectives through various sectors including promotion of small and medium scale industries as viable vehicles for industrial expansion.

It is a continuation of OPP1, to accelerate the process of eradicating poverty and restructuring society. At the same time, the ultimate goal is to achieve national unity as a foundation for social and political stability and sustained development. The NDP is expected to set the pace to enable Malaysia to become a fully developed nation by the year 2020 (Vision 2020).

As about 23.8 percent of the Bumiputera population live below the poverty line, Bumiputera groups have been given support and encouragement by the government to participate in business activities. The idea is to create a "Bumiputera Commercial and Industrial Community" (BCIC) as one of the strategies to eradicate poverty and restructure society. This can be seen through the involvement of government

agencies, such as the Council of Trust for Indigenous People (MARA), Ministry of Finance, Ministry of Trade and Industry, Ministry of Entrepreneurial Development, State Economic Development Corporations (SEDs), and so forth in networking and assisting the Bumiputera enterprises.

In addition, the government through its ministries and public agencies has planned various policies and programmes for supporting the development of SSIs and MSIs for both Bumiputera and non-Bumiputera groups. In developing and maintaining a harmonious business culture, the government also encourages and urges both entrepreneurial groups to work together and extend the network to other communities so that some new Bumiputera entrepreneurs can acquire experience from other more experienced entrepreneurs (especially Chinese entrepreneurs). As a result, the number of SSIs and MSIs in Malaysia had increased considerably in the 1970s.

However, the total number of SSIs being established each year declined in 1987 by 11.4 percent compared with 1974 (Table 2.3). This decline in total number of SSIs being established will also affect the total employment opportunities provided by SSIs, their total output produced, value added, and total fixed assets. On the other hand, big firms continually increase their contribution in terms of employment opportunities and outputs; and are expected to play an important role in national development. This is due to the inflow of foreign investors especially from Singapore, Japan and United States to manufacture their products in Malaysia.

Although the development of the Malaysian economy receives strong support from industrial sectors (particularly strong contributions come from the big firms), the development of small firms needs to be seen as a part of an important strategy which will enable the nation to become an independent industrial country. The government strategy for developing SSIs and MSIs into large scale companies is a good precaution when facing global economic fluctuations.

Therefore, the decreasing contributions by SSIs, and the slow development of MSIs in the long run will effect socio-economic objectives, as well as the long term 'vision 2020'. In addition, this development will also effect the participation of Bumiputera entrepreneurs in economic activities as many of them operate their businesses on a small scale.

TABLE 2.3: SMALL, MEDIUM AND LARGE INDUSTRIES
IN MALAYSIA.

Year	1974	1987
Percentage share of:		
Number of Establishment		
50 employees or less: SSIs	74.1	62.7
Between 50 - 199 : MSIs	20.0	28.6
200 and above : LSIs	5.9	8.7
Total output		
50 employees or less: SSIs	17.1	8.6
Between 50 - 199 : MSIs	35.9	34.4
200 or above : LSIs	47.0	57.0
Value added		
50 employees or less: SSIs	14.9	8.8
Between 50 - 199 : MSIs	4.7	28.4
200 or above : LSIs	50.4	62.8
Total Employment		
50 employees or less: SSIs	22.4	14.3
Between 50 - 199 : MSIs	30.9	31.4
200 or above : LSIs	46.7	54.3
Total Fixed Assets		
50 employees or less: SSIs	11.6	7.6
Between 50 - 199 : MSIs	31.2	23.8
200 or above : LSIs	57.2	65.6

Sources: UNIDO (1990).

The Bumiputera are also generally quite new to entrepreneurship and display considerable inexperience when compared with other communities. Their ownership of share capital in the business and commercial sectors is about 20.3 percent (including trust agencies and other related institutions) still far below the target of 30 percent in 1990. Most of their business activities deal with the public sector in the areas of contracting, manufacturing, printing, trading, insurance and travel agencies. The majority of them are in SSIs and operate their businesses with low levels of technology, management expertise, education, experience and exposure to business competition. As a result, they face many problems as discussed in chapter 1.

More important to this study is a shift in the pattern of Bumiputera network structures and relations as a result of government policies. As the many government agencies participate in creating a 'Bumiputera Commercial and Industrial Community'

the Bumiputera people have extended their network relations to include government staff in other economic areas and agencies where previously they networked only with agriculture experts from agricultural agencies. In addition, these agencies provide a wide range of support in terms of finance, infrastructure, technical supports for skills, business knowledge and advisory services.

Bumiputera who have decided to participate in the business sectors are likely to extend their network not only with the government staff but with professionals, bankers, other entrepreneurs and so forth, helped by the efforts of government agencies. In this case, Bumiputera people are expected to have more people as well as a variety of human resources in their personal networks which could probably help them in their business ventures. On the one hand, government policies structure the economic participation of people in Malaysia, on the other, the policies form a shifting pattern of network relations among Malaysian communities.

2.3 Definition of Small Scale Industry

Since this research is dealing with small firms in Malaysia, it is essential to make a clear definition of SSIs to be employed in this study. There is no acceptable standard definition of SSIs, in fact the definition varies from one country to another as well as from sector to sector. However, many definitions are suggested in the form of employment and economic activity.

The European Community's definition of an SMI is that it should not have a workforce exceeding 500 employees (United Kingdom, 1988). The SBA standard categorises businesses as follows: a business operated under 20 employees is considered very small; 20-99 employees is small; 100-499 employees is medium-size; and over 500 employees is large (Blackford, 1991).

Andersson (1987) in his research on the profits of small firms defined the sizes of firms, based on the number of employees as follows: 1-9 employees, small I-small; 10-19, small II-small; 20-49, medium I-small; 50-99, medium II-small; 100-200, large-small; 200-499, small-medium; 500-1999, large-medium; and 2000 and above, large firms.

In Malaysia, many agencies involved in giving support to small firms development have their own definition to suit their target groups. The Industrial Coordinating Act (ICA) (which control the issue of licences) define SSIs as having less than RM250,000 in shareholders' fund, and employing less than 25 full-time employees.

On the other hand, the Credit Guarantee Corporation (CGC) defines SSIs as firms whose paid-up capital and reserve do not exceed RM100,000 for 'non-Bumiputera' and RM200,000 for 'Bumiputera'.

The Small Scale Enterprises Division (SSED) in the Ministry of Industrial Trade and Industry (MITI), which has primary responsibility for coordinating the Government's SSIs development programmes, classified SSIs and MSIs as having shareholder's fund or net assets not exceeding RM500,000 and between RM500,000 and RM2.5 million respectively.

The World Bank and Industrial Monetary Fund (IMF) (taking into consideration the Malaysian level of economic development) defines SSIs as industries employing less than 50 employees. In addition, a study by the United Nations on Policy Assessment of the Malaysian Industries considered tiny scale businesses which employed less than 5 workers; SSIs with employees numbering between 5 and 49; MSIs between 50 and 200; and large scale industries (LSIs) are over 200 employees (UNIDO, 1990).

In conclusion (based on the comparison of definitions), for the purpose of this study, the researcher will use the definition of SSIs in term of the number of employees as a main reference (between 5 and 49 employees). This is also reflected in the characteristics of the SSIs in Malaysia, which are based on labour intensive business. However, the total funds (paid-up capital) will also be referred to when it is necessary (Table 2.3). There are problems with classifying the structure of small firms established in Malaysia, in terms of the monetary value of paid-up capital because small firm entrepreneurs normally do not have a systematic record of their capital, have difficulties in measuring paid-up capital and poor data availability.

TABLE 2.4: A CLASSIFICATION OF INDUSTRIAL'S SIZE

Size	No. of Employment	Paid-up Capital
Tiny	less than 5	
SSIs	5 - 49	< RM500,000
MSIs	50 - 200	RM0.5 - 2.5 m
LSIs	more than 200	> RM2.5 m

2.4 Profile of SSIs in Malaysia

Most SSIs have much in common, as described by many studies in almost all developing countries (Malaysia, 1991a). In Malaysia, the growth and development of SSIs have resulted from the NEP which was implemented by the government in 1970s and 1980s. During that period, the government, via its public sector agencies, has provided adequate support and has played a strong role in the development of the businesses of small and medium scale entrepreneurs.

As a result, a number of "new entrepreneurs" have attempted and increased employment opportunities by opening their own business (Malaysia, 1991b). Thus, the above phenomena characterizes the development of small firms in Malaysia as well as the shifting pattern and characteristics of Bumiputera social networks. The following discussion of the characteristics of small scale industries in Malaysia is mainly based on statistical reports produced by the Ministry of International Trade and Industry or MITI, 1991 (Malaysia, 1990b). These reports demonstrate the network issues surrounding Malaysian small scale entrepreneurs.

2.4.1 Dispersion of SSIs in Malaysia

It was reported that about 13,992 SSIs were operating in Malaysia, where the majority were in Peninsular Malaysia (91.7 %). Only a small number of them were recorded in Sabah and Sarawak (8.3 %). The Malaysian SSIs are well dispersed throughout states as well as regional areas. In theory, this could lead to a reduction in regional income disparities and inequalities (Chuta and Sethuraman, 1984), thus helping the government to achieve one of its two fold objectives.

TABLE 2.5: NUMBER OF SSI'S ESTABLISHED BY REGION

Location	Total SSIs	Cities	Main towns	Rural
Peninsular	12841	3485	4262	5094
Sabah and Sarawak	1151	458	77	616
Total	13992	3943	4339	5710

Sources: Malaysia (1990b)

In Peninsular Malaysia, the concentration of SSIs is slightly higher in rural areas. It is recorded that about 27 percent of SSIs are operated in the city areas; and 33 percent and 40 percent in the main towns and the other areas (small towns and rural areas) respectively. As discussed earlier, many of the poor households are in the rural areas. Therefore, to upgrade their standard of living the government (through its various agencies) concentrated its efforts on the development of rural SSIs. Entrepreneurs who operate in the cities are expected to have more people and also a variety of people in their personal networks. These give them advantages and enable them to obtain some resources for their business. Since Bumiputera communities are generally located in rural areas, many Bumiputera entrepreneurs establishing their business in rural areas are likely to gain less advantage from networks.

TABLE 2.6: DISPERSION OF SSIS IN MALAYSIA BY INDUSTRIES

Industries	Total	%	%Bumi	%Non-Bumi
Food industries	4325	30.9	46.7	53.3
Wood and wood based	3324	23.8	35.7	64.3
Fabricated metal	1940	13.8	16.2	83.8
Non-metallic mineral	1343	9.6	4.5	55.5
Textiles & garments	705	5.0	33.3	76.7
Paper and printing	556	4.0	13.4	86.6
Plastic products	352	2.5	11.1	88.9
Others	1447	10.4	—	—
Total	13992	100		

Sources: Malaysia (1990b)

Table 2.6 shows the location of small firms classified according to the type of industry. The table shows that about 30.6 percent of SSIs are involved in food industries, while 23.8 percent are in wood and wood based industries, and 13.8 percent are involved in fabricating metal. All industries under the small scale classification are monopolised by non-Bumiputera groups, with only food and non-metallic mineral industries recording high participation by the Bumiputera people. It also shows that the number of Bumiputera participating in many industries is a

reflection of the network relations among Bumiputera business communities. This could provide valuable network resources among non-Bumiputera communities since many of them are involved in business compared to the Bumiputera entrepreneurs who are new to many business sectors.

The increasing participation of Bumiputera entrepreneurs in various types of industries in Malaysia has emerged as a result of government policy which began to bear fruit only in the 1980s. The Bumiputera entrepreneurs are considered new to many business areas; therefore experience and business knowledge needs to be learned from other non-Bumiputera entrepreneurs. On the other hand, non-Bumiputera (especially Chinese entrepreneurs) dominate almost all SSIs. This is because their communities have been involved in business activities for hundred of years and have a strong business culture, accumulated knowledge and experience, and strong business networks as well.

2.4.2 Ownership, Duration of Establishment and Paid-up Capital

The available data for SSIs indicate that 69 percent of small firms are typically operated as family or sole proprietorship businesses with 77.3 percent having less than RM50,000 paid-up capital. Of the total SSIs in Malaysia, Bumiputera entrepreneurs represent 33.2 percent while the other groups monopolise about 66.8 percent (Table 2.7).

TABLE 2.7: OWNERSHIP OF SSIS IN RELATION
TO PAID-UP CAPITAL

Capital (RM'000)	Total	Bumi	Non-Bumi
Less than 50	10818	4136	6682
50 - 100	1356	217	1139
100 - 200	850	139	711
200 - 300	548	80	468
300 - 500	420	69	351
Total	13992	4642	9350

Sources: Malaysia (1990b)

The report also shows that almost half of the SSIs already in business are older than eight years (Table 2.8). However, it is recorded that about 74 percent of SSIs which are more than eight years old have paid-up capital of less than RM50,000. The slow development of SSIs reflects the effectiveness of the strategies set by the various agencies to develop SSIs. As it was reported earlier, the policy environment has tended to be more effective in promoting larger scale industries. Meanwhile, most of the SSIs are weak and poorly coordinated (Malaysia, 1990a). In addition, the table also explains that not many small businesses extend their network with financial institutions, since they are likely to remain small in size. The majority of Bumiputera businesses are small, even though they might be long established in the market (Malaysia, 1991c).

TABLE 2.8: DURATION OF ESTABLISHMENT IN RELATION TO PAID-UP CAPITAL

Capital (RM'000)	<4 years	4-8 years	>8 years
Less than 50	3255	2877	4616
50-100	304	396	656
100-200	178	261	448
200-300	95	129	279
300-500	64	94	245
Total	3897	3761	6244

Source: Malaysia (1990b)

In the same report produce by MITI, six leading industries were listed where many small entrepreneurs participated. Food and wood industries are two popular areas for small firm entrepreneurs. The report indicates that about 62 percent of food companies have been in the industry more than five years, followed by 59 percent of machinery and wood based industries (Table 2.9). Food industries are the main industries participated in by Bumiputera entrepreneurs since the 1970s. This is mainly due to the Bumiputera demand for food products within their own community, which have to properly produced according to religious demand. In this

case, Bumiputera focus their market networks among their own people and in the local market areas. This could limit their business development. Perhaps this is a result of being new in business, and is reflected in their network activities - they need time and experience to diversify their contact into wider market networks.

TABLE 2.9: INDUSTRIAL SECTOR IN RELATION TO DURATION OF ESTABLISHMENT (1988/89)

Industries	<2 yrs	2-5 yrs	5-13 yrs	13 yrs
Food	780	963	1376	1468
Textile	248	202	294	174
Wood	698	665	1097	864
Non-metallic metal	348	323	417	255
Machinery	473	497	876	521

Source: Malaysia (1990b)

2.4.3 Mechanization of SSIs in Malaysia

Due to low levels of capitalization, small firm owners normally use low levels of technology for operating their firms, and their operations are mainly labour intensive. This is in contrast to their counterpart large firms, in which operations rely on high levels of technology. Cortez et. al. (1987) found that in Colombia small enterprises are generally labour-intensive and they are regionally dispersed. However, the number of semi-mechanised SSIs in Malaysia is recorded at 70 percent; and 27 percent are still dependent on non-mechanised operation (Table 2.10).

TABLE 2.10: MODE OF PRODUCTION IN RELATION TO OWNERSHIP

	Total	Bumi	Non-Bumi
Non-mechanized	3778	2042	1736
Semi-mechanized	9794	2554	7240
Mechanized	420	46	374

Source: Malaysia (1990b)

The usage of new technology in production for both Bumiputera and Non-Bumi entrepreneurs are at low levels due to the costly nature of the mechanisation process. Besides, this process requires special skills and knowledge which small business owners normally don't have. However, the use of mechanisation among Non-Bumi entrepreneurs is considerably higher compared to Bumiputera entrepreneurs. Most Bumiputera entrepreneurs have been reported to use labour intensive operations in their firms.

Perhaps the Bumiputeras' ease of access to manpower in rural areas explains this issue. However, this also reflects their lack of activity in networking (especially with the suppliers, technicians and innovators), since many of the people who have expertise in mechanisation live in cities. On the other hand, the data available from that survey also shows that the use of mechanisation is related to the duration of establishment and paid-up capital. Table 2.11 shows that the small firms with paid-up capital less than RM50,000 are reported to have higher level use of labour in their production per unit of output especially among the food industries. This reflects the development of small businesses, particularly Bumiputera businesses, which are more closely linked to the growth in the number of employees.

On the other hand, the report also indicates that more than 60 percent of SSIs are semi-mechanised in production, except non-metallic metal industries which are 51 percent dependent on labour-intensive production. The use of high levels of technology by small firms in Malaysia is restricted to only about 5 percent of the total number of SSIs. This will be a major obstacle in achieving a higher level of industrialisation and in helping the nation to become an industrialised country by the year 2020.

As mentioned earlier, the use of new technology in production processes in the small firms in Malaysia is related to the levels of education and skills of the entrepreneurs, employees and sources of machinery suppliers. The level of education of the Malaysian population has increased every year as reported in The Sixth Malaysia Plan 1991 - 1995 (Malaysia, 1991c).

The enrolment of students in the government and government-aided schools increased from 1985 to 1990 by 2.4 percent and 10.6 percent at the lower secondary and the upper secondary respectively. On the other hand, enrolment in technical schools also increased by 64.4 percent from 1985 to 1990. This development of human resources will help in providing educated, skilled and trained labour forces for the small, medium as well as big firms in Malaysia.

TABLE 2.11: MODE OF PRODUCTION IN RELATION TO PAID-UP CAPITAL, DURATION OF ESTABLISHMENT AND SECTORS.

	Non-mech.		Semi-mech.		Mech.	
Paid-up capital (RM'000)						
Less than 50	3462	32%	7140	66%	216	2%
50 - 100	149	11%	1126	83%	81	6%
100 - 500	197	11%	1453	81%	143	8%
Duration of establishment (since 1988/89)						
Less than 4 yrs	1130	29%	2650	69%	117	3%
4 - 8 yrs	903	24%	2745	73%	113	3%
More than 8 yrs	1811	29%	4246	68%	187	3%
Sectors						
Food	1514	33%	2935	64%	138	3%
Textile	266	29%	615	67%	37	4%
Wood	798	24%	2460	74%	66	2%
Non-metallic	685	51%	645	48%	13	1%
Machinery	331	14%	1989	84%	47	2%

Source: Malaysia (1990b)

The increase in the number of companies in the technological sector in Malaysia (particularly in the production of machinery for the local firms utilisation), has encouraged the mechanisation process of the small firms. It was reported that 93 percent of small firms purchased their machinery for production processes from local sources. Only 12 percent reported that they imported machines from overseas suppliers and most of these are non-Bumi entrepreneurs. Most of the Bumiputera entrepreneurs are expected to purchase their machines from local suppliers since they have small amounts of capital, a small market share and low levels of education.

It is also reported that more than 90 percent of small firm entrepreneurs obtain their raw material locally. This reflects the personal networks between Bumiputera entrepreneurs and this includes not only machine suppliers but other input suppliers who operate their businesses in the same locality or state as them. Perhaps this would reduce the handling costs and make it easier for entrepreneurs to seek assistance if anything happens to their machines or other inputs. The evidence however, indicates that the purchasing processes by entrepreneurs are more related

to network relations with local people (in this case, local suppliers). This fits in with the social network assumption that the surrounding community helps in developing local businesses.

2.4.4 Marketing Aspects of SSIs

Additionally, most of the small firms use simple operations which require relatively little skill. This is probably due to their market orientation - mainly towards local customers. It is reported that only 11 percent of SSIs are able to serve Malaysian markets effectively; and 7 percent have graduated to become as overseas market suppliers (Table 2.12).

Table 2.13 shows the percentage of market distribution of the small firms in relation to ownership, capital and duration of establishment. Non-Bumiputera entrepreneurs are more active in distributing their products nation-wide and in overseas markets; while Bumiputera entrepreneurs are concentrated in local markets. This information clearly suggests that Bumiputera entrepreneurs network among local customers while non-Bumiputera extend their network to the national and international levels, as well as networking with local customers. This gives an advantage to the non-Bumiputera entrepreneurs, as they have been in business for quite some time. Perhaps Bumiputera entrepreneurs need role models among their people in order to widen their personal networks.

TABLE 2.12: MARKET DISTRIBUTION

Market area	Number of small firms
Local	11159 (80%)
State level	4661 (33%)
Nation wide	1538 (11%)
Overseas	915 (7%)

Source: Malaysia (1990b)

As discussed earlier, the small scale entrepreneurs normally market their products for local consumption. However, as their firm's size increases, the production is also expected to be increased, and they have to compete and expand their markets at the state and national levels. Only a few of them are capable of marketing their products overseas. This is due to the complex nature of overseas markets, which require

detailed analysis of market niches, the identification of growing segments and target markets, determination of price policies, design of appropriate packaging and brand names, and selection of distribution channels and agents (Malaysia, 1990a).

TABLE 2.13: MARKET DISTRIBUTION IN RELATION TO OWNERSHIP, PAID-UP CAPITAL AND DURATION OF ESTABLISHMENT

	local	market distribution		
		state	nation	overseas
Bumiputera	91%	36%	7%	2%
Non-Bumi	76%	32%	13%	9%
Paid-up capital (RM'000)				
Less than 50	85%	32%	6%	3%
50 - 100	68%	39%	20%	11%
100 - 500	58%	36%	31%	22%
Duration of establishment (since 1988/89)				
Less than 4 yrs	80%	33%	8%	8%
4 - 8 yrs	79%	35%	12%	7%
More than 8 yrs	81%	33%	12%	6%

Source: Malaysia (1990b)

The above data and discussion reflect the relationships and networks between small scale entrepreneurs and their customers. Many of the small scale entrepreneurs established their market networks with their local customers. However, the longer they are in business and the more capital they invest, the more diverse their market areas. Those entrepreneurs who are already long established in a market have many contacts who can help them with the development of their business. This may explain the role of social and business networks of the small firm entrepreneurs in expanding their market structures.

2.4.5 Educational levels and Technical Assistance

The low levels of education of small firm entrepreneurs reflect their management skills, and attitudes to their business operations. They need assistance mainly in the field of financial loans, technical assistance, marketing assistance, consultation and

extension services, industrial sites and research and development facilities. Boissevan (1974) argues that the more education a person has, the greater the size of his or her network and the greater the diversity of people in these personal networks. In this case, Bumiputera entrepreneurs are expected to have relatively few people in their personal networks due to the low level of education they have. However, their personal networks are higher in density and multiplexity since they network among similar people in their community.

Table 2.14 displays the educational level of small firm entrepreneurs, where almost 50 percent of Bumiputera and non-Bumiputera entrepreneurs have only primary level education. However, Bumiputera entrepreneurs are reported to have a slightly lower rate of secondary education (LCE and MCE) and university level education, as compared to the other groups. The low level of education among Bumiputera entrepreneurs is likely to relate to their business problems, especially problems with the technical aspects of a business such as production, marketing and finance.

Low levels of education lead Bumiputera entrepreneurs to seek to network with people who can help them in business activities. In this case, many of them seek assistance from government agencies since they are closer to these agencies. Table 2.15 explains that only a few small business-owners established their personal networks with technical people, because many of them use low levels of mechanisation. However, a higher percentage was reported by Bumiputera entrepreneurs (13 percent) who received technical assistance for their business compared to the other groups (5 percent), reflects the earlier discussion that the majority of Bumiputera entrepreneurs have problems with their business.

TABLE 2.14: EDUCATION LEVELS OF SSI ENTREPRENEURS

School Leavers	Bumiputera	Non-Bumi
Primary	47%	43%
LCE	13%	26%
MCE	17%	19%
College	3%	3%
Degree's	1%	2%
n.a.	19%	7%

Sources: Malaysia (1990b)

This also explains why many Bumiputera received technical assistance mainly from government agencies due to the role of government agencies and the network structure of Bumiputera businesses. Among the agencies which are involved in giving assistance to the small firms entrepreneurs are MARA, Malaysian Agriculture Research Development and Industry (MARDI), National Productivity Centre (NPC), Standard Industrial Research and Institute of Malaysia (SIRIM), and the State Economic Development Corporation (SEDC).

The focus on the Bumiputera community in this discussion is due to the fact that this study is concerned with Bumiputera entrepreneurs who operate their businesses in the Northern part of Malaysia. Generally, Bumiputera entrepreneurs have low levels of education and business experience as well as being new to their business sector. They incline to seek to network with their local community for their business purposes. In addition, they also establish contact networks with government agencies since the agencies are given responsibility for creating the 'Bumiputera Commercial and Industrial Community'.

TABLE 2.15 : TECHNICAL ASSISTANCE IN RELATION TO OWNERSHIP AND PAID-UP CAPITAL

	Technical Assistance			
	received		not received	
<hr/>				
Ownership:				
Bumiputera	603	13%	4039	87%
Non-Bumi	504	5%	8846	95%
Paid-up Capital (RM'000)				
Less than 50	664	6%	10154	94%
50 - 100	139	10%	1217	90%
100 - 500	304	17%	1514	83%

Source: Malaysia (1990b)

However, the role of government is not limited to Bumiputera businesses only, but is also aimed at developing small business sectors across the ethnic communities in order to achieve 'Vision 2020'. This can be seen by the participation of the public and private sectors in encouraging small business development by providing financial and credit facilities, business premises, basic infrastructure, tax incentives, R&D

technology and consultancy and advisory services for all business communities (Malaysia, 1990a). However, since the Bumiputera business community is new and because of the high rates for private consultation (which most of the Bumiputera cannot afford to pay), many of them seek to network with government agencies.

In summary, the above discussion explains that Bumiputera networks are embedded in the social relations generated through social and economic activities in the rural areas. Due to the fact that many of them are involved in agricultural activities, they are expected to have smaller networks but have higher network density and multiplexity. The policy pursued by the government aimed at fostering national unity and nation building through the eradication of poverty and the restructuring of Malaysian society has affected the pattern of network relations among Malaysian communities. In this case, Bumiputera are encouraged to extend their networks with not only government agencies but other ethnic communities, especially Chinese entrepreneurs, from whom they could learn many aspects of business knowledge and skills.

In terms of market networks, the majority of small scale industries network with local customers and they distribute their products to local people. They also establish networks with local suppliers where they acquire inputs such as raw materials, machines, money and hire local employees to produce the output products. Basically, small firm entrepreneurs operate within the local population in their community (Johannisson, 1986). This reflects the fact that small scale enterprises have limited capital to expand their business as well as limited market areas due to an inability to access financial institutions. Since small business-owners establish their networks with local people, they are likely to use people who are close to them (such as family and friends) as sources of support. In addition, they also network with the government agencies which operate in their local area in order to obtain business assistance and help.

CHAPTER 3

3.0 CONCEPTS AND PROCESSES: NETWORKS OF RELATIONSHIPS FOR SMALL FIRM ENTREPRENEURS

The following discussion about entrepreneurial networks and networking activities primarily focuses on literature relating to business networks and literature associated with social and personal networks. In literature searches, the information relevant to the model of networking management which has been discussed earlier is collected. The information on the nature of relationships, the use and categories of networks, and some empirical evidence of network characteristics are gathered from various articles. Discussion in this chapter begins with a brief explanation of entrepreneurial and management concepts. It will also cover the basic assumptions of entrepreneurial personal networks and an explanation of the networking model as well as the network dimensions which are related to the model.

3.1 The Entrepreneurial Concepts

Traditional concepts of entrepreneurship have highlighted the psychological and economic approaches. In addition, the term 'entrepreneur' has been used widely in either private or government organisations. In the search of its meaning, many authors use their own understanding of this issue. However, according to the Concise Oxford Dictionary edited by Sykes (1985), literally, it means "person in effective control of commercial undertaking." As the business and non-business sectors continually develop, its meaning becomes complicated and has given a variety of definitions (Livesay, 1982) by different authors according to their own needs and disciplines.

For example, Mill (1848) considers an entrepreneur to be defined in terms of direction, control, superintendence, and risk bearing functions; Schumpeter (1954) stresses the role of innovation in defining the entrepreneur; McClelland (1961) refers to the need for achievement; Rotter (1966) emphasises the locus of control; while Palmer (1971) argues that the entrepreneurial function is risk measurement and risk taking (see Brockhaus, 1982).

Brockhaus then remarks that "..... a well-defined entrepreneurial definition does not exist and research findings are often difficult to compare and make generalisation a

dangerous practice. However, despite these difficulties some psychological characteristics of entrepreneurs are reported in a relatively consistent manner" (pp.40). In summary, Honardy (1982) has produced 42 characteristics attributed to entrepreneur from the previous research findings. He than summarises the findings into nineteen of the most frequently found traits of entrepreneurs as Shown in Table 3.1.

TABLE 3.1 : THE MOST FREQUENT CHARACTERISTICS OF ENTREPRENEUR

-
1. Self-confidence
 2. Perseverance, determination
 3. Energy, diligent
 4. Resourcefulness
 5. Ability to take calculated risk
 6. Need to achieve
 7. Creativity
 8. Initiative
 9. Flexibility
 10. Positive response to challenges
 11. Independence
 12. Foresight
 13. Dynamism, leadership
 14. Versatility, knowledge of product, market, machinery, technology
 15. Ability to get along with people
 16. Responsive to suggestion and criticism
 17. Profit orientation
 18. Perspectives
 19. Optimism
-

Source: Honardy (1982:28)

Malaysian entrepreneurs (especially the Bumiputera entrepreneurs) operate in a different set of cultural, economic and political systems. Many Bumiputera owned businesses are new and small in size because their business community is only in the early stages of development. Their participation in business has resulted from government policies as discussed in Chapter 2. Therefore, as this research is dealing with small firms, it is more appropriate to associate entrepreneurs with those who establish, own and manage their own firm (Malaysia, 1990a). This definition gives more meaning in the Malaysian context and is widely used by government agencies in Malaysia.

The focus of this study is neither on the definition nor characteristics of entrepreneurs. However, some understanding of this issue helps to understand the social dimensions of entrepreneurship (Shapero and Sokol, 1982). Shapero and

Sokol argue that a company formation is partially attributable to social and cultural variations which in some way relate to network relations. Additionally, personal entrepreneurial attributes are associated with networking competency (Johannisson, 1988a).

Obviously, social and cultural variations directly contribute to networking issues. This perspective views entrepreneurship as embedded in networks of continuing social relations (Granovetter, 1985; Aldrich and Zimmer, 1986). In this case, the entrepreneur is expected to use his or her ability to establish and manage a personal network and mobilise all human resources in undertaking business formation (Johannisson, 1988a) as well as the development of business performance (Aldrich, et. al. 1987). These resources could provide the opportunities, ideas, markets, material and social support which could benefit the entrepreneur's business.

3.2 Toward the Development of the Theoretical Framework of Networking Management Model

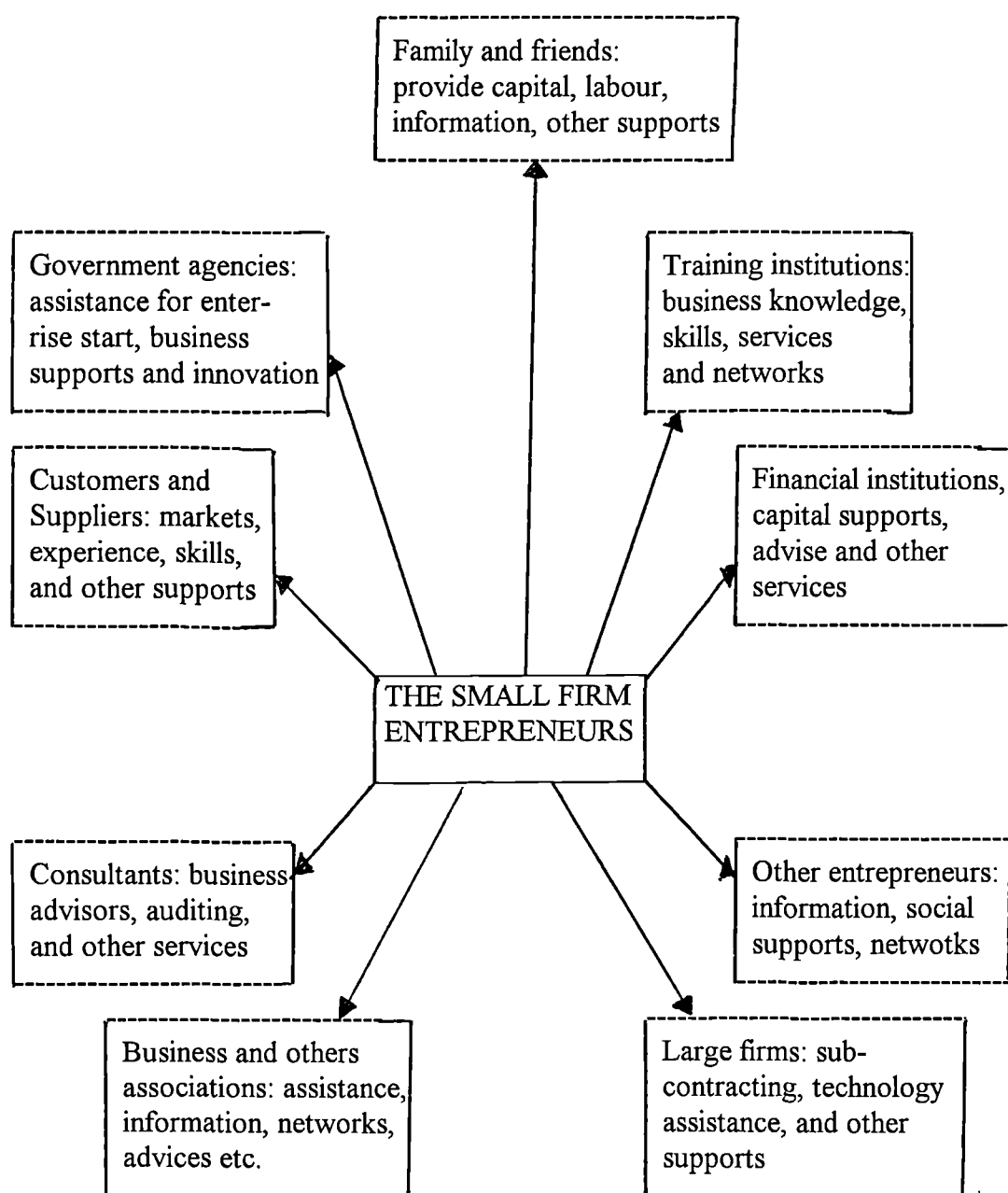
Entrepreneurs are embedded in social relations in which every individual may be viewed as the node in a network. In fact Boissevain (1974) argues that all of society can be viewed as a network where an individual can get in touch with every other person. In this study, the network concepts which are used are related to personal networks in which the individual entrepreneurs are involved. This forms the focus for further discussion.

The concept of networking has recently become popular in explaining the establishment of entrepreneurs' business formation (Birley, 1985; Johannisson, 1988a) and business development (Aldrich et. al., 1987; Curran et. al.; 1993). Because of this, networks are considered an important resource for the entrepreneur's business. Networks can provide resources such as money, information, moral support, material aid, physical support, ideas, markets and other help for entrepreneurs. Figure 3.1 explains the network relations between entrepreneurs and their external resources and some support provided by network resources in the Malaysian business environment.

Network relations with family and friends have a major impact on small firm enterprises and are considered as a primary source of help and support (Birley, 1985; Zimmer and Aldrich, 1987). When individuals are facing disaster such as economic or health related accidents etc. the family will be a major source of help (Reynold, 1991). In the Malaysian context, families usually provide help and support for their

members in order to enable them to participate in social and economic activities, as well as when disaster occurs. In addition, friends and neighbours can also be a major source of support for the members of a community. In the case of small firms, family and friends are also involved in providing labour, capital, information and other social support for small firm enterprises. This explains the importance of family and community resources for the establishment and development of Bumiputera businesses in Malaysia.

FIGURE 3.1: THE LINKAGES BETWEEN SMALL FIRM ENTREPRENEURS AND THEIR COMMUNITY



Government agencies play an important role in many countries in helping entrepreneurs, especially during the formation of the business. The role of government agencies is most obvious in creating and developing small businesses in developing countries like Malaysia. The government agencies usually work closely with training institutions such as universities and other training centres which are also run by the government. Networking with these agencies can provide entrepreneurs with business information and ideas, business premises, basic infrastructure, incentives, knowledge and skills, finance and credit facilities, marketing, consultancy and advisory services; identification of new projects, and innovation (Malaysia, 1990a).

Networking with customers and suppliers is inevitable for any businesses. For the small firms in Malaysia, entrepreneurs and customers act primarily on the local level (Malaysia, 1990b) and they normally know each other. Entrepreneurs also network with their local suppliers since the latter are near to their firm's location and the business only requires small amounts of raw materials. The breaking of relationships between these groups can lead to problems for the enterprise (Rasmussen, 1992; Curran et. al., 1993). These groups can also act as sources of information, ideas, knowledge, skills, intermediaries, and other support.

Financial institutions provide sources of capital for entrepreneurs. It is reported that commercial banks in Malaysia contributed about 15 to 20 percent of total bank credit each year for SMIs. Beside finance, some banks are also involved in providing leasing facilities, managerial and technical support services, and conduct entrepreneurial development and advisory service programmes. Therefore, networking with these institutions is necessary in order to gain access to sources of finance and support services. Other network groups such as local business associations, consultants and other entrepreneurs to some extent provide information, assistance, advice, social support as well as acting as brokers for the small firms in Malaysia.

The above discussion concerns the network approach to the various linkages between entrepreneurs and community members. Johannisson (1984, 1988a) argues the importance of the local community in providing a local business climate in which businesses are developed. Birley (1985) also concludes that local firms are established by local people by use of personal networks. In addition, Rasmussen (1992) stresses the fact that local small firms' growth often rests upon linkages with the local community. This is similar to the activities of small firms in Malaysia, where many of them are established and operated in a given local community. Many of

them start their business at home in a familiar geographical context and slowly extend their business into other areas. They are probably more successful when they have multiple contacts for locating funds, suppliers, facilities, clients, and so forth (Reynold, 1991).

Some key assumptions underlying network relations can be derived from the above discussion. Entrepreneurs (actors) attempt to establish linkages with their personal networks in order to acquire resources, information, opportunities, cooperation, and to reduce the uncertainty of relationships (Dubini and Aldrich, 1991). As networks involve an exchange process, resources and information are actually obtained through the exchange of relationships between entrepreneurs and their social networks (Boissevain, 1974; Lauman and Pappi, 1976; Cook, 1982; Aldrich, et. al., 1987,). Furthermore, networks are dynamic. They form a shifting pattern of power relations and change as actors try to gain power from social and physical constraints (Boissevain, 1974; Cook, 1982; Thorelli, 1986). In this case, Entrepreneurs need to understand network resources and their relations as well as requiring knowledge and skills in order to manage them properly and to gain some benefits from these resources. In addition, trust is essential for a network of relationships (Johannisson, 1988a). This is to ensure continuity in network relations between entrepreneurs and their external resources. Entrepreneurs are unable to obtain the resources from their personal network if trust is absent.

Entrepreneurs, either voluntarily or compulsorily (Curran et. al., 1993), form linkages with their social resources in order to acquire resources, information, knowledge, and other support for their business development. Family and friends are generally seen to be the most useful resources for entrepreneurs, as argued by many researchers. However, the role of other resources such as bankers, government agencies, customers, suppliers, business associations, and so forth are also important. Support given by these networks are discussed in detail in Chapter 4.

An entrepreneur is the owner of a small firm, and is also a manager for his or her firm. Being a manager, management of organizational resources is essential as well as management of network resources. Generally, an organization is denoted as referring to an association of two persons or more working together to achieve a common purpose. Therefore, a small firm is also an organization which requires good management of business and network resources. Without good management of these resources, a small firm will probably be confronted with problems leading to the decline of it's business activities.

Thus, an entrepreneur needs to understand how to manage organizational resources such as money, people, raw material etc. in order to be competitive and survive in turbulent and uncertain environments. Managers achieve their business goals by arranging for others to perform the necessary tasks for them. Therefore, as a manager of a small firm, the entrepreneur needs to use the management process of planning, organizing, leading, and controlling the efforts of their employees to perform the necessary tasks by using all organizational resources to achieve their business goals (Stoner and Freeman, 1992). On the other hand, entrepreneurs are required to search for opportunities and monitor threats from the external environment (MacPhee, 1987), to achieve their business goals. Therefore, to be effective, the managers also have to take consideration of their firms' environments as well as network resources besides systematically managing their organization's internal resources.

Small food manufacturing firms operate in an open system where the human and physical resources acquired from the environment as inputs have been transformed into goods and services as product outputs (Figure 3.2). The products then circulate and sell to customers in the environment. This is the process of direct interaction (network of relationships) between the small firms and their environmental resources (Smith and Laage-Hellman, 1992). It is important for small firm entrepreneurs to understand the overall social interaction of their firms in order to acquire the inputs required for their business operation.

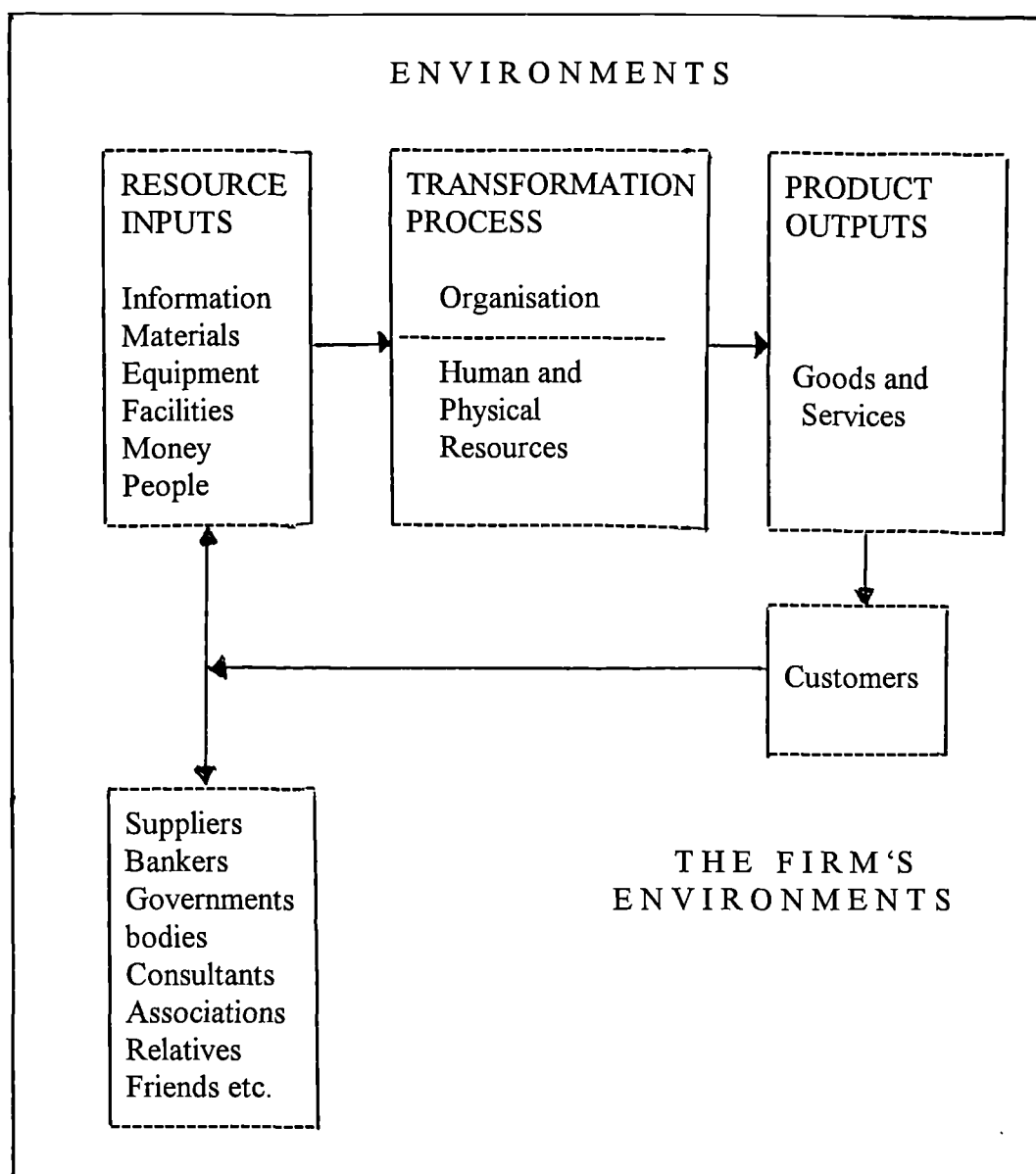
Interactions actually occur among people i.e. between entrepreneurs and suppliers, customers, bankers, relatives, friends and so forth. Networking with these groups is important for the entrepreneur's business, due to its impact on the development of the business. Aldrich et. al. (1987) argue that entrepreneurs will be successful if they are able to identify opportunities and obtain scarce resources from their environment. Through exchange relationships, the small firm entrepreneurs may obtain financial support from their relatives or friends or bankers (Clapman, 1982; Dunkelberg et. al., 1987; Hisrich and Brush, 1987). This money will be used to buy the raw materials and equipment from suppliers and to pay other business expenses.

By using personal networks, entrepreneurs can access the business information which may be available from government extension officers, consultants, friends etc. (Smeltzer and Fann, 1989; Cooper et. al., 1991) in order to develop their business strategies and compete in the marketplace. The products they produce have to be disseminated and be sold to the customers; and the money collected will be used to

pay business loans and expenses. Figure 3.2 summarises the interaction between the firms and their environments.

The above discussion depicts the importance of external environments - by which is meant the social and personal networks of the entrepreneurs from the small firms. The external environment resources, which normally include suppliers, customers, bankers, government bodies, relatives, friends etc. are the resources which the entrepreneurs are required to exploit and mobilise in order to attain their business aims. Rasmussen (1992) argues that enterprise success, growth or failure can be explained by understanding the relationship between entrepreneurs and external actors because enterprises are rooted in an economic and social cultural environment.

FIGURE 3.2: THE SMALL FIRMS AS AN OPEN SYSTEM



Any change of relationship in external environments or personal networks will affect an organization's activities as well as its performance (Curran et. al., 1993). The management of networks of relationships between entrepreneurs and their social resources is crucial for small firms. As the groups contribute to business development and performance and are a part of business resources, good management of these resources is essential.

3.3 A Theoretical Framework For The Management of Networks of Relationships

In order to guide the research process, an underlying theoretical framework has been developed. This is useful to determine and understand the nature of small firm networks. As discussed in Chapter 1, it is assumed that the entrepreneur will manage his or her network of relationships by using management functions differently from the ordinary management process of planning, organizing, leading and controlling of organizational resources such as money, people, materials etc.

This theory of the networking management of small firm entrepreneurs is developed to gain an understanding of the practical aspects of business development, in addition to theoretical knowledge. In this study, the researcher attempts to explore and explain some effects related to the theoretical framework (Calder et. al., 1981). Stoner and Freeman (1991:28) described a theory to be a "coherent group of assumptions put forth to explain the relationship between two or more observable facts". Therefore, the theoretical framework which is formulated can be used as a guide, and at the same time allow us to predict the networking process conducted by small firm entrepreneurs under certain circumstances.

"Networks are not static, and the function for which they are to be valued change with the development of the organisation" (Butler and Hansen, 1988:404). Dubini and Aldrich (1991) argue that by the addition of entrepreneurship to network concepts, theorists are compelled to include processes in their framework. In general, a process is a systematic way of doing things. Thus, small firm managers engage in certain interrelated activities with the social resources around their firm in order to achieve their desired goals.

Although the process of small firm networking is considered complex in many situations, it is easy to understand when it is described as a series of separated parts. Therefore, in elaborating upon the concept of small firm networks, the researcher

will break down the discussion into four separate stages i.e. planning stage, formation stage, development stage and a maintenance stage (figure 1.2 in Chapter 1).

3.3.1 The Planning Stage

Planning is seen to be a primary function of management and an essential activity for the business organisation. It refers to the process of establishing goals and searching suitable courses of action towards achieving those goals (Stoner and Freeman, 1992). Small firm managers will normally think their actions out in advance based on some logical method. In networking activities, the researcher would consider that the planning of business networks is the first stage of the process. This involves the entrepreneur attempting to obtain and commit the resources required from their environment (Aldrich et. al., 1987) to reach the business objectives.

The planning of business activities will normally lead to the planning of business contact networks. The entrepreneurs may either consciously or unconsciously plan their networking activities in addition to their business plan. They normally focus on the section of the environment they think they can influence (Johannisson, 1987a). Dubini and Aldrich (1991) note that effective entrepreneurs are able to prepare a political plan in addition to a business plan. Planning is considered crucial for business development. Any changes taking place in the environment will pose a threat to the success and survival of the small firms. Therefore, entrepreneurs must be able to anticipate and deal with changing environmental factors with people such as their suppliers, customers, bankers and so forth.

As a manager, an entrepreneur can plan his or her business networking by use of formal or informal networks (Birley, 1985) because networking contributes to entrepreneurial outcomes (Aldrich et. al., 1987). Planning allows entrepreneurs to identify opportunities and obtain scarce resources via their social networks (Aldrich et. al., 1987). The acquisition of the resources require relationships (Easton, 1992) between entrepreneurs and their personal networks. One of the aims of entrepreneurs when they seek to network with their social resources is to acquire these scarce resources.

The assumption is that a good business contact network can save a manager time, can provide support in decision making, reduce operational cost, can ensure that good quality raw materials are received and can provide beneficial financial supports (Nelson, 1989; Larson, 1991). Many other benefits may be given by suppliers, customers, bankers, relatives, friends, and other personal resources. Dubini and

Aldrich add that an entrepreneur can save time and enlarge his span of actions through networking activities.

Therefore, entrepreneurs have to have a good network of relationships with relatives, friend, suppliers, customers, bankers etc. who can provide them with the many resources which they need for the business. A plan for these network groups may take a different form from a business plan. A manager perhaps thinks of his or her business contacts during the formulation of the business plan, or possibly uses available contacts when carrying out business activities. Aldrich (1989) argues that entrepreneurs should be encouraged to chart their present networks. Then they need to establish, develop and maintain their business contacts with external resources, and the name and address of his or her business resource needs to be properly kept (Welch, 1980)

Most of the entrepreneurs exchange their business cards with people outside the firm. This can be considered as a part of the network plan for their business (Chin-Lee, 1993). In some cases, a network is initiated by chance or coincidence, or the entrepreneur may unconsciously plan (Welch, 1980; Chin-Lee, 1993) their business networks. However, effective entrepreneurs are able to chart their network and view effective networks as a crucial aspect of ensuring the success of their firm (Dubini and Aldrich, 1991).

Aldrich (1989) further argues that entrepreneurs need to identify their strong ties. They need to compile directories of people who they trust to help them when they have business problems. Then, they should make an inventory of their weak ties, since these kinds of ties could lead them to information and opportunities (Granovetter, 1973; 1982). This is an interesting aspect for investigation in order to understanding how the small firm owner-manager plans his or her business networks.

3.3.2 The Formation Stage

The next step is to examine how entrepreneurs establish and expand the circle of their personal networks. This stage is expected to occur after the planning stage when a manager perceives the importance of personal networks to their business (Jahannisson, 1988a). This is concerned with how a manager makes use of networks to make contacts and form initial relationships with particular human resources. Birley (1985) found that entrepreneurs used informal contacts as their primary sources of help when assembling elements of their firm. On the other hand, initial contacts can also be activated on occasion, such as training classes, from club

members, of family gatherings, by attending seminars and workshops etc. (Welch, 1990; Cooper et. al., 1991; Chin-Lee, 1993). The names and addresses of these contacts if properly kept will be useful for future planning of business activities (Welch, 1980).

Chin-Lee (1993) argues that a person needs to use five steps in building networks. First, they have to identify the existing contacts who are close to the entrepreneur. The second step is to expand the network, using the primary network to connect him or her to secondary contacts. Third, a person will be required to join organizations and participate actively in the social activities of those organisations. Fourthly, she also urges that a person needs to collect business cards when they attend social, educational and business events. Finally, she suggests that a person must introduce himself or herself to strangers.

In business, the entrepreneur usually has a personal goal for his or her personal network. For example, the goal of networking with suppliers or customers is to acquire resources or to sell products (Easton, 1992). In this case, a process of negotiation (Larson, 1991) and learning (Johannisson, 1987b) between an entrepreneur and suppliers or customers takes place. At this stage they will normally discuss rules and procedures (Larson, 1991) in doing business such as payment systems, delivery of products, collection of bills etc. A network will be formed in a short time if both parties perceive that a relationship is crucial and will economically benefit their firms (Rasmussen, 1992). During this stage, a negotiation between entrepreneurs and their business resources will occur until an agreement or business deal is formed.

3.3.3 The Development Stage

After the network of relationships with strangers is formed, entrepreneurs may perhaps develop those relationships. These relationships are normally developed through an exchange process (Hakansson and Johanson, 1992). This stage is considered to be a trial period that allows partners to evaluate each other and learn about their respective businesses (Larson, 1991).

Since networks are not static, change may occur during the development stage. Entrepreneurs need to understand their networks and the nature of the relationships in the development process (Hakansson and Johanson, 1992). Change in relationships occur through exchange of activities and resources (Hertz, 1992). The network of relationships at the beginning of this stage is considered weak

(Granovetter, 1982), since they are newly acquainted with each other, and ties become stronger as interaction increases.

Entrepreneurs are expected to develop more frequent interaction with their business resources for the benefit of their business. Each partner is expected to demonstrate performance capabilities and fairness in relationships and business. The increase in enterprise interaction can encourage the flow of information as well as exchange of goods (Rasmussen, 1992) and enhance learning capabilities, productivity and innovation (Johannisson, 1984).

Larson (1991) adds that this period requires an accumulation of exchanges, evaluation of trustworthiness, and commitment of time for the development of the system and procedure. Through this process explicit and implicit rules begin to take shape. Furthermore, trust and confidence will be achieved after a series of reciprocal exchanges, which normally involve investment of time, money and energy. Gabarro (1987) argued that the development stage of relationships takes place over about six months to a year.

3.3.4 The Maintenance stage

Finally, the maintenance stage will exist after strong commitment and trust is developed between both parties (Johannisson, 1987b). It is expected that commitment of time and frequency of contacts may be different to the development stage. During the maintenance stage, each party is expected to understand the other's business. Trust in doing business is already present between them (Johanson and Mattsson, 1987; Dubini and Aldrich, 1991). Aldrich et. al. (1987) found that there is a significant relationship between 'maintaining contacts' and the profitability of a matured business.

At this stage, most activities in business transaction are informal, and informal procedures and rules are preferred. This stage is most concerned with ensuring mutual understanding between the two parties (Larson, 1991). Besides a primary economic exchange, barter trade and information sharing can also exist. Easton and Araujo (1992) argue that the economic exchange of relationships also include non-economic exchange such as technical, planning, social and legal information.

The entrepreneur at this stage is required to maintain stability and keep the relationship in a satisfactory condition (Dindia and Canary, 1993). This is because the personal network can provide them with assistance and support for their business

development (Aldrich et. al., 1987; Rasmussen, 1993; Hand and Tomblin, 1993). Family and friends for example can provide entrepreneurs with financial assistance (Clapman, 1982; Dunkelberg et. al., 1987; Price and Monroe, 1992). Besides, many studies also found that networking with these groups can also provide advice and information (Smeltzer and Fann, 1989; Cooper, 1992).

My experience in giving training and consultation for small firm entrepreneurs shows that suppliers will normally give a few additional weeks credit to the entrepreneurs for the raw materials they supply if a good relationship and trust exists between them. Rasmussen, (1992) also found that entrepreneurs will benefit from suppliers when trust exists in relationships. In addition, the suppliers will sometimes give support and assistance to entrepreneurs for their business problems. He adds that under conditions of material scarcity, the relationship of entrepreneurs with their suppliers is considered critical.

A good relationship with customers will lead to a better chance of entrepreneurs' products being displayed at strategic positions in the shop. This can be considered as a promotion made by the shop owners and gives a competitive advantage to these products. Rasmussen (1992) stresses that good relations with the customer results in recommendations and knowledge of an enterprise's products.

Rasmussen adds that building up a stable and good relationship with bankers enables the entrepreneurs to secure future loans. This relationship can be built and maintained by a prompt repayment of loans to particular banks. The maintenance stage, like the development stage, is based on trust. However, networking is a reciprocal process (Boissevain, 1974). It is a process of give and take (Welch, 1980). The most successful networking is mutual and considers our own personal limits for giving and receiving networking help (Chin-Lee, 1993).

The process of networking management discussed above is an iterative process where the same process is expected to take place in planning new business resources. The activities which occur in the formation stage might be used in the planning stage. On the other hand, if anything happens to the relationship in the maintenance stage, the relationship may be stopped or regress to the earlier stage.

The distinction between these stages is a crucial part of this study. Entrepreneurs might not realize how linkages with their business resources form and develop through these stages; and how it is important for them to develop and maintain these linkages. Therefore, information on these stages needs to be carefully collected from

small firm entrepreneurs as a part of fieldwork. Because of the low levels of education found among the small firm entrepreneurs in Malaysia, the interview technique utilised in this study has been tailored to take this factor into account. This model will mainly be used for dealing with the qualitative data.

3.4 The Dimensions of Network Processes Relating to the Model

Many interesting concepts are expected to emerge from the management process of networks of relationships. Since the network of relationships is not static, but dynamic (Boissevain, 1974), the relationships between entrepreneurs and their social networks are likely to form a shifting pattern of relationships over time. The relationship in the formation stage is probably different to that found in the development stage as well as in the maintenance stage. In this situation, therefore, some dimensions of networks during interaction between entrepreneurs and their personal networks are expected to emerge.

3.4.1 Exchange

Networks are composed of sets of connected exchange relations (Cook, 1982). Cook further argues that a set of two or more connected exchange relations is referred to as an exchange network. In its totality, it is a dyadic relationship where a direct relationship involves some form of interaction between two individuals (Lande, 1977). Furthermore, Laumann and Pappi (1976) argue that relationships (for example friendships, business ties, information exchange or community affairs) can be directly or indirectly linked. The interaction between two actors in a relationship is governed by the value of the resources. Transactions can be one way (unilateral) or both ways (reciprocal) (Boissevain, 1974). Over time the pattern of transactions is usually viewed as an exchange relationship.

An actor (entrepreneur) develops relationships with other actors through an exchange process (Hakansson and Johanson, 1992). The exchange process is generally applied to intangible, or to economic resources (Hertz, 1992). The exchange of intangible resources includes such things as the exchange of information, ideas, motivation and so on. On the other hand, the exchange of materials, goods, services and money can be considered as economic exchange. For small firm entrepreneurs, both social and economic exchange relationships are important in network concepts. Entrepreneurs are expected to secure the use of resources embedded in their networks. In this case, exchange must occur if entrepreneurs decide to use those resources (Hansen and Wortman, 1989).

The management of a network of relationships probably refers to reciprocal transactions, either for social or economic exchanges. However, entrepreneurs may obtain information for the planning of a network of relationships through public sources (Cooper et. al., 1991) such as books, magazines, courses or audio-visual instruments which are unilateral transactions. When they decide to obtain more information or acquire resources, an exchange of relationships is expected to take place. For example, economic exchange between entrepreneurs and their suppliers or customers requires reciprocal transactions (e.g. raw materials for money) (Grabher, 1993). This form of exchange may take place in the formation, development or maintenance stages.

Aldrich et. al. (1987) state that entrepreneurs will succeed when they are able to obtain resources such as money, social support, product ideas, markets and information from their environments. These resources are obtained from the exchange relationship between entrepreneurs and various persons who have control over capital funds, materials, and information for the success of business ventures (Carsrud et. al., 1987).

Larson (1991) in his study on "Partner Networks" discusses how the evolution of exchanges leads to economic benefits for entrepreneurial companies. These benefits include; access to new market channels; cost saving through partners' economies of scale; shorter lead times for product development; technology and process innovations, consistently high quality results; extra effort in a crisis; financial resources (such as extended payment terms etc.); and market feedback. Rasmussen (1992) adds that small firms rely on information from their input suppliers, cooperating and sub-contracting enterprises, customers' criticism and advice. They also rely on support from banks, repair and service enterprises, and on technical, organizational or market advice from various authorities. Thus, the networking process of small firms involves a variety of exchanges which could benefit the development of business performance. However, it is essential for entrepreneurs to understand that networking is a two way process that involves giving and receiving between parties (Welch, 1980; Chin-Lee, 1993).

3.4.2 Compulsory and Voluntary Exchange Relationships

An exchange relationship can be wholly voluntary or can be compulsory for both parties (Lande, 1977; Curran et. al., 1993). The relationships between entrepreneurs and suppliers or customers are aimed at obtaining resources or towards the sale of

products. These are compulsory relationships which the business needs to survive. Customers and suppliers are critical to small manufacturing companies. Curran et. al. argue that customers for example are more important to small firms than large firms. They usually establish formal relationships or formal economic contacts. This is also found in network relations with other formal institutions such as banks, associations and government bodies (Birley, 1985) for some businesses.

On the other hand, network relations with relatives and friends outside the firm are likely to benefit business development. The relationships with these groups in the context of business are voluntary and informal since they are embedded in the social context. However, these groups are often deemed to be useful as a source of business help and assistance (Birley, 1985; Zimmer and Aldrich, 1987). Families and friends could also act as role models for people in their community. It is argued that a community in which many of its members are in business, is likely to produce many entrepreneurs (Shapiro and Sokol, 1982).

Filion (1990) stated that entrepreneurs are active in networking (for example being members of boards and various types of associations) which at the same time establishes and develops their relationships. They then extend these relationships to their own firms. In addition, the literature shows that there are similar activities participated in by men and woman entrepreneurs during school days. However, men entrepreneurs are more active in social, voluntary and professional clubs (Cromie and Birley, 1992). The above discussion suggests that networks and networking have both compulsory and voluntary aspects (Curran, et. al. 1993). Therefore, it is essential to the entrepreneurs to map the importance and influence of those networks on their business.

3.4.3 Strong and Weak Ties

The ties which make up networks may take a different form in different network groups. Ties can be strong or weak. Ties with families and friends are considered strong (Granovetter, 1982). This is because relationships with families and friends have existed in a social context for a long time and exchanges have already occurred within these relationships. The early stage of relationships involves social exchange - this needs to be maintained (Lande, 1977). In this case, the relationships were already strong when the entrepreneurs started their business. Strong ties are argued to be more supportive and more easily available to provide assistance to the entrepreneurs (Granovetter, 1969; 1982).

On the other hand, Granovetter also argues that if a person is acquainted with an entrepreneur, the tie between them is weak. Weak ties will lead the entrepreneur to access information and resources outside those available within his or her own social circles. He found that professional, technical, and managerial workers hear about new jobs through weak ties (27.8 percent) rather than strong ties (16.7 percents). On the other hand, managers use strong ties more frequently (51.0 percent) than weak ties (44.4 percent).

Close ties are found to be important in entrepreneurial networks (Johannisson, 1986; Zimmer and Aldrich, 1987; Aldrich et. al.; 1987). Aldrich et. al. (1987) found that 80 percent of entrepreneurs who have networks with a higher proportion of strong ties make profits. Zimmer and Aldrich (1987) suggest that hiring persons who are close to entrepreneurs such as family and friends can reduce labour costs because their wages are less than market wages and they are more predictable. In England, the Asians' family and relative networks are larger than that of white shopkeepers, and also live close to them. In addition, the Asian entrepreneurs are able to reach deeper into their networks of extended kinship than white shopkeepers are. Therefore, it was found that the number of family and relatives employed in Asian shops in England is significantly higher than that found in white businesses.

Nelson (1989) found that business owners attach most value to fundamental emotional support, followed by operational aid, overall help and introduction to valuable business contacts. He also argues that the family member's assistance is more closely associated with fundamental support while other contacts assist in the area of operational aids. In contrast, he found no relationships between the years people have known each other and the variable of emotional support. In conclusion, he mentioned that female business owners survive through access to opportunities afforded by weak-tie associations and contacts with wide networks of people. This explains the fact that weak ties provide bridges that cross the boundaries of social groups.

New business partners such as customers, suppliers or new business friends in this case are referred to as weak ties. The network relations with these groups however, slowly evolve from weak to strong ties. The more interaction between entrepreneurs and these groups, the stronger their ties. When the tie becomes strong, entrepreneurs may benefit from both access to information and opportunities as well as support and assistance from their network members. Lin (1982) concludes that weak ties are of advantage when the contacts are near, while strong ties are more useful if they are far away. However, incidents might occur during the development

of a network of relationships which might affect business development (Curran et. al., 1993).

This discussion suggests that both weak and close ties are important for the development of small firm businesses (Johannisson, 1988a). Entrepreneurs probably need to map their personal networks and mobilise some of them for business purposes. Strong ties are important for business assistance and sources of financial support (particularly ties with relatives and close friends). On the other hand, weak ties are used for access to people beyond an entrepreneur's immediate contacts. In this case, entrepreneurs are urged to use a wide variety of networks for their business development (Cooper et. al., 1989; Smeltzer and Fann, 1989). However, different stages of a network's development are expected to have different degrees of network ties. Therefore, it is essential for entrepreneurs to understand those ties and to have a better management of the network of relationships for their business development.

3.4.4 Multiplexity

Diversity of linkage or multiplexity is one of the most important characteristics of personal networks - they are composed of entrepreneurs linked in a large variety of ways (Boissevain, 1974). Entrepreneurs are likely to have many roles within their personal networks including a neighbour, husband, club member, friend and so on. Filion (1990) argues that people who are close to entrepreneurs usually maintain multidimensional relations which are intellectual, sporting, recreational and so on. In this case, multiplexity is expected to be closely related to close network ties, since the roles of the two parties are a result of their strong ties. The relationships with relatives and close friends which have existed for a long time tend to have multiple elements and are reciprocal.

The network relation between an entrepreneur and an acquaintance is established when both parties get involved in the transaction or investment, as well as committing themselves to the relation (Aldrich, 1989). The network relation perhaps begins with one activity field and is single-stranded or uniplex (Boissevain, 1974). For example, the relationship between an entrepreneur and a supplier as a business partner is more formal. As the interaction goes on and increases over time, the network relation is likely to evolve and change (Hertz, 1992). The interaction often involves investment of time and information. In this case, the relationships become closer and dependent on other activities (Granovetter, 1973; Larson, 1992). Later, the network relation to an entrepreneur is not only as a supplier but as a friend, adviser, creditor, broker and so on. Boissevain (1974) argues that "there is a tendency for single-stranded

relations to become multi-stranded if they persist over time, and for many stranded relations to be stronger than single-stranded ones, in the sense that one strand-role-reinforces others." (pp. 30)

3.4.5 *Trust*

Trust may exist after a certain period of time when the relationship develops. Entrepreneurs are expected to spend a certain amount of their time with family, relatives, suppliers, customers, bankers, government bodies and so forth in order to develop trust in a network of relationships. When trust exists, the relationship tends to be close and diverse. In the personal network, trust is essential (Johannisson, 1988a). It is also an important component of business dealings. Aldrich (1989) argues that networking involves an expectation that both parties are investing in a long term relationship.

Trust is required in both the development and maintenance stages. For example, Rasmussen (1992) found that material supply was the main problem of the small firms in the late 1980s in Zimbabwe. Under conditions of material scarcities, entrepreneurs need to establish a stable relationship with their suppliers. In this case, the owners of the firms in Zimbabwe rarely changed their suppliers and they found easy access to material supplies even during shortages. When both parties trust each other, perhaps the relationship will stand under whatever circumstances.

Rasmussen adds that the unstable nature of relationships between enterprises and suppliers is caused by the impossibility of obtaining supply credit. Entrepreneurs usually deal with the suppliers they trust in order to avoid being exploited by suppliers who charge higher prices for input materials (goods) (Zimmer and Aldrich, 1987). They also confirmed that Asian business owners normally buy their goods from Asian suppliers and whites use white suppliers. The evidence shows that a good relationship with customers will result in recommendations and knowledge of the enterprise's products (Rasmussen, 1992). However, Curran et. al, (1993) found that a business (a garage and vehicle repair) had lost a big customer when the director failed to handle a problem, even though a close relationship had been built. Therefore, trust is vulnerable to opportunism and exploitation of trust will eventually be diffused throughout the network (Johannisson, 1987b).

3.4.6 *Other Characteristics*

Additionally, structural characteristics such as size and density are also important to the networking process. Size usually refers to the number of persons in direct contact with the entrepreneur (Aldrich et. al. 1987; 1989; Cromie and Birley, 1992), while the density of a network normally refers to the degree of possible direct links between the members of a personal network. The density can be measured by comparing the number of actual relations to the number of possible links in the network under examination (Boissevain, 1974; Aldrich, 1989).

As the network becomes larger, the more complicated the network relations become. The relative number of interactions is likely to be reduced due to the amount of time and effort needed to maintain the relationship with every person. In this case, a person is expected to be selective in mobilising his or her personal network members in 'webs' to achieve their desired goals. Boissevain argues that when the network is large the members will have to contribute more relations to attain density than in a smaller network. Since networks' size and density are important to the business development, and also relate to the entrepreneur and their business backgrounds (Aldrich et. al. 1987; 1989; Staber; 1993), it will be discussed in detail in the next chapter.

In summary, personal networks of entrepreneurs can be considered as an aspect of business resources which have been neglected by some entrepreneurs. This issue provides another dimension for business strategy which could offer advantages for their businesses. Entrepreneurs need to establish relationships with their personal network resources which in this case perhaps include family, friends, customers, bankers, suppliers, consultants and so on. Networks with these people can provide the business with a variety of resources such as money, information, moral support, material aid, physical support, ideas, markets and other help for entrepreneurs.

Therefore, the networks of relationships between entrepreneurs and these social resources require good management in order to effectively utilise those resources. The discussion in this chapter highlights this issue and proposes the possible management functions of network relationships including the planning, formation, development, and maintenance stages. The relationships between entrepreneurs and their personal networks require time and are likely to form a shifting pattern as they develop. Some dimensions of these relationships emerge and develop during the interactions between entrepreneurs and their personal networks. As networks can provide a variety of resources for the entrepreneurial businesses, they have to be

managed in the same way as the other aspects of those businesses. This activity can also strengthen business strategy for the development of a business. Generally, the discussion in this chapter has provided underlying concepts of entrepreneurs' personal networks while the use of these networks is discussed in detail in the following chapter.

CHAPTER 4

4.0 NETWORK UTILISATION AND CHARACTERISTICS

A personal network is viewed by many researchers as a form of social relations in which every individual is embedded (Boissevain, 1974; Granovetter, 1985; Aldrich and Zimmer, 1986). We are concerned with the fact that a person needs to interact with other persons in the community to pursue their objectives. Boissevain (1974:9) argues that "social configurations such as coalitions, groups, institutions and society must be seen as networks of choice-making persons competing for scarce and valued resources."

In the case of entrepreneurs, interactions among themselves and their firms with external business environments are based primarily on the business interests of each party (Johannisson, 1988a). The transaction between both parties is reciprocated in the sense that goods and services are exchanged with monetary values (Larson, 1991). Besides, as a member of the community, an entrepreneur is also involved in many personal interactions with his or her personal networks, some of which will lead to the development of business networks (Johannisson, 1988a).

Social relations as well as business relations are not static but dynamic, particularly in uncertain business environments. As argued earlier, the entrepreneur's network means all relationships established by entrepreneurs with their surrounding environments (Dubini and Aldrich, 1991). Therefore, entrepreneurs will be expected to use their available personal networks to influence their environments, in order to gain freedom from social and physical constraints, with the aim of pursuing their goals (Boissevain, 1974). The discussion in this chapter is concerned with the above issue and includes the types of networks utilised by entrepreneurs, sources of support networks, a comparison of network characteristics between men and women based on earlier studies, and the development of hypotheses for some part of this study.

4.1 Types of Networks Utilised by Entrepreneurs

One of the objectives of this study is to attempt to identify the types of networks entrepreneurs use in gathering their input resources as well as information and advice from their personal networks. The literature on support networks demonstrates that entrepreneurs obtain resources for their businesses from a variety of network sources.

Available sources of support networks and contacts are typically categorized as formal and informal (Birley, 1985); personal and impersonal (Smeltzer and Fann, 1989); primary, secondary and tertiary (Filion, 1990; Hand and Tomblin, 1993); and public, personal and professional sources (Cooper et. al., 1991).

Birley (1985) considers banks, accountants, lawyers, local government, chambers of commerce, realtors and small business administrators as formal sources; and business contacts, other contacts, family and personal friends as informal sources of help. In their study on "gender differences in external networks of small business owners/managers," Smeltzer and Fann (1989) classified personal sources of information into family, friends, customers, colleagues, accountants and other professionals; whilst impersonal sources refer to magazines, journals, books, other written texts, seminars, workshops and trade shows.

Recent studies by Filion (1990), and Hand and Tomblin (1993), categorise entrepreneurial networks in three ways. They consider primary relations to consist of mainly family and friends. The relationships with these groups are physically and emotionally closest to the entrepreneur and linked with more than one type of activity. Secondary relations include acquaintances and refers to the business, social, religious and political groups which tend be to linked to a precise activity. They argue that these contacts are always informal and will provide fertile ground for networking and will later become primary contacts. Meanwhile, tertiary relations refer to reading materials, seminars, exhibitions etc. where entrepreneurs can acquire knowledge and ideas for their businesses. In another study, Cooper et al. (1991) classified entrepreneurial information sources such as books, courses, government programmes and trade associations as public sources; friends, relatives and other business owners as personal sources; and accountants, attorneys and bankers as professional sources of contacts.

The above discussion clarifies some similarities in the classification of network groups used by entrepreneurs, such as impersonal sources (Smeltzer and Fann, 1989); tertiary relations (Filion, 1990; Hand and Tomblin, 1993); and public sources (Cooper et al., 1991). All of these cover the reading materials, courses, exhibitions and so on. which are not directly centred on human relationships. On the other hand, bankers, accountants, lawyers, and other formal organizations are considered to be formal sources (Birley, 1985) and professional sources (Cooper et al., 1991). At the same time, family and friends are classified as informal networks (Birley, 1985); primary networks (Filion, 1990; Hand and Tomblin, 1993); and personal networks (Cooper et. al., 1991). The classification of contact networks as sources of

information and help was developed by early researchers to suit their studies. However, those classifications can be used as a guide for the discussion in this study.

4.2 Sources of Support Networks

How do entrepreneurs use their personal networks in obtaining business resources (such as finance and information), as well as advice for their business development? What types of network groups are normally used by them and why? Many studies found that personal sources such as families (relatives) and friends are widely used as sources of support networks (Birley, 1985; Dunkelberg et. al., 1987; Smeltzer and Fann, 1989; Knight, 1988; Nelson, 1989; Cooper et al., 1991). Relationships with families and friends are established during the early life of entrepreneurs and are considered close and have multiple linkages. Therefore, it is easier for them to talk to someone they know to obtain the inputs, information and help they need, rather than mere strangers.

4.2.1 Financial Support Networks

It is unavoidable that the most important source of financial support for the entrepreneur's business is their own savings (Knight, 1988; Kaplan, 1988; Price and Monroe, 1992). Previous studies show that an entrepreneur's own savings contribute the highest percentage of sources of business capital, especially in the process of starting a business. Kaplan found that 65 percent of women use their own savings in financing their business during the start-up process. A higher percentage is reported by Hisrich and Brush (1987). They found that women utilised 71 percent of their personal assets and 37 percent of personal savings for their businesses.

The use of personal savings by entrepreneurs during the start-up process is also supported by Dunkelberg et. al. (1987). Their study of the growth and decline of firms demonstrates that declining firms utilise a slightly lower percentage (71 percent) of personal savings as compared to growing firms (74 percent). However, both types of firms are frequently mentioned because they utilise their own savings. On the other hand, Price and Monroe also found a significant drop in the use of personal savings (48.6 percent) in business compared to the other studies. Despite this, they still argue that personal savings are a main source of business funding.

The difference in percentages of the above results are likely to be due to the different samples involved in the study, types and size of business, background of the entrepreneurs and their firms as well as the period of the study. However, the focus

of this study is not to search out the differences between these results, but to examine the sources of the financial support network utilised by entrepreneurs for their business development. The use of personal savings is considered as a requisite commitment for an entrepreneur to undertake, but these savings are normally not enough to support business activities. Therefore, many of the entrepreneurs seek networks with and obtain business funds from their environment.

Dunkelberg et. al. also report that entrepreneurs rely on funds for starting their business from financial institutions, friends and relatives, and individual investors. After the business is started, they normally use company earnings, financial institutions, trade credits, as well as existing and new investors. This shows that entrepreneurs utilise a variety of social environments in gathering financial support for their business.

Additionally, Price and Monroe report that about 20 percent of graduate entrepreneurs obtain financial aid from family and relatives. They also argue that private investors (7.8 percent), friends (3.3 percent), government programmes (1.6 percent) and other networks (18.6 percent) also contribute some financial support to the entrepreneur's business. However, Birley (1985) and Knight (1991) report that banks are normally used by entrepreneurs as a primary finance source.

In a study on women entrepreneurs, Hisrich and Brush (1987) also found that a bank loan is the major source of outside financing (27 percent) followed by spouse (11 percent), credit cards (11 percent), business associations (4 percent), relatives (2 percent), government (1 percent) and venture capital (1 percent). Moreover, bank loans (21 percent) are also reported by Kaplan (1988) to be frequently utilised by entrepreneurs, followed by family loans (10 percent) and private placements (4 percent). Neither of these studies ranks family and friends as a main financial support network after personal saving.

Perhaps the differences in the structure of financial support networks used by entrepreneurs is due to the cultural differences between communities as well as the entrepreneur's background. However, a network tie with family and friends is one of the important sources of business funds. In a study on "Resources Mobilisations Through Ethnic Networks" Zimmer and Aldrich (1987) report that Asian and White business-owners raise capital through family and friends. Boissevan and Grotenberg (1986) also found that 60 percent of Chinese and 40 percent of Hindustanis in Amsterdam would rather borrow money for their business from family and friends.

The above discussion suggests that entrepreneurs actually use various financial support networks in obtaining the capital for their business activities. Many studies indicate that entrepreneurs rely upon family and friends as a source of business funds (Boissevan and Grotenberg, 1986; Dunkelberg et. al, 1987; Zimmer and Aldrich, 1987; Price and Monroe, 1992). This is explained by the fact that entrepreneurs are embedded in family and friendship networks that provide them with business capital. In addition, the use of banks reflects their function as capital institutions for business communities. It is argued that ultimate success in the market place is characterised by financial success (Johannisson, 1988a).

4.2.2 Sources of Information Networks

Beside financial resources, personal networks can also be a vehicle for the access and exchange of information with their environment (Johannisson, 1988a). Access to information gives an advantage to entrepreneurs to capitalise on the opportunities available for their business development. Entrepreneurs normally focus on the network sources in their environment which they think they can utilise (Johannisson, 1987a). The information from their networks in some way leads them to the sources of financial support which have been discussed above. The information also leads entrepreneurs to market opportunities, business ideas, employees, and so on. In short, Smeltzer and Fann (1989) argue that external information is critical for business success.

Again, the literature showed that the use of family and friends are preferred by entrepreneurs as a source of information. Smeltzer and Fann found that both men and women weight family and friend as their main sources of information followed by customers, colleagues, other professionals and accountants. In addition, women entrepreneurs normally get personal assistance, encouragement and moral support from other women.

Nelson (1989) found that female entrepreneurs use spouses, followed by male friends, and female friends as sources of information and support. Female entrepreneurs also get information from female parents, male parents, siblings and children. Perhaps cultural factors explain why women find it easier than men to discuss their business matters with close relatives and friends.

Dunkelberg et. al. (1987) do not report the importance of family and friends as sources of informations. They only report that entrepreneurs of growth firms usually acquire information from accountants (68 percent), other business owners (64

percent), bankers (56 percent), attorneys (44 percent), books and manuals (40 percent), trade associations (24 percent) and courses and workshops (24 percent) during the start-up process. The structure of the information sources of these firms changes slightly after entrepreneurs have started the business. Accountants (78 percent) and other business owners (59 percent) are still the major sources of information, but entrepreneurs in growth firms are more inclined to get information from books and manuals (54 percent), course workshops (43 percent) and trade associations (42 percent). The use of bankers (48 percent) and attorneys (29 percent) are reported to have declined.

The pattern of personal networks used by business-owners of declining firms is quite similar to those owners of growing firms as discussed above. During the start-up process, Dunkelberg and his friends found that entrepreneurs of declining firms get information from accountants (70 percent), other business owners (60 percent), bankers (49 percent), books and manuals (47 percent), attorneys (41 percent), trade associations (30 percent) and courses and workshops (29 percent). The use of attorneys as sources of information sharply declined to 29 percent after one year. However, entrepreneurs are more inclined to use books and manuals (60 percent), courses and workshops (42 percent) and trade associations (45 percent) as sources of information. Accountants (69 percent), other business owners (57 percent) and bankers (47 percent) exhibit a slight drop as sources of information by business-owners.

Entrepreneurs in the above cases are likely to acquire some knowledge and skills from books as well as training programmes after they have started their business. Moreover, by attending courses, entrepreneurs are likely to extend their networks with professionals such as trainers, consultants, officers, and so on and diversify their network among members of the course. This phenomena is also applicable to entrepreneurs who register as member of associations. The role of associations is not only as a source of information, but also to promote local cooperation as a mechanism to protect against business barriers such as government regulations (Johannisson, 1987a).

Smeltzer and Fann (1989) also found that impersonal sources such as magazines, journals and books are heavily used by women and men entrepreneurs as sources of information. In contrast, they rank seminars and workshops as the least preferred sources of information by entrepreneurs. However, Cooper et. al. (1991) report that only 9.1 percent and 5.4 percent of entrepreneurs mention that trade associations and government programmes are very important sources of information. While, only

1.9 percent and 10.9 percent of entrepreneurs mention books and courses as important. But the use of professional sources of information such as accountants (44.9 percent), bankers (33.5 percent) and attorneys (18.9 percent) are reported heavily used as sources of information for the entrepreneur's business. Personal sources such as family and relatives (25.3 percent) and other business owners (28.5 percent) are also reported as very important sources of information by entrepreneurs. However, Cooper et. al. show that the high usage of professional sources is significantly related to business performance.

The above findings explain that the use of varieties of personal networks are important as sources of information. Besides this, the utilisation of personal networks does not remain static but evolves as a business develops. Dunkelberg and his colleagues deal with a longitudinal study which demonstrate that the structure of personal networks used as sources of information changes over time. But the structure of personal networks used by business-owners is not much different between declining firms and growing firms.

Family and friendship networks are said to be important in providing information to entrepreneurs, especially during the early days of a business venture (Nelson, 1989). Over time, entrepreneurs may seek networks with more people in business, as well as professional people, since networking with these groups can contribute to business survival (Cooper et. al., 1991). Entrepreneurs - as men or women of action (Johannisson, 1987a) - are usually active networkers (Filion, 1990) and participate in many activities to enlarge their network circles, to take in various groups of human resources. The more people in their personal networks, the more opportunities they have to access the information sources. This could provide them with strategic advantages for their business development.

4.2.3 Sources of Help and Other Support Networks

Some studies do not distinguish between support networks such as financial aids, sources of information and advice or help gathered by entrepreneurs. For example, Knight (1988) reports that entrepreneurs who enter into their own businesses obtain financial support, and encouragement from family (77 percent), friends (61 percent), partners (57 percent), other entrepreneurs (56 percent), banks (45 percent), former fellow employees (30 percent), former corporate employers (26 percent), outside investors (23 percent) and former corporate superiors (22 percent). This study reveals that family and friends are once again used as the main source of support networks.

Birley (1985) argues that family and friends are the most useful sources for entrepreneurs in seeking business location and employees as well as boosting sales. This argument has been supported by Zimmer and Aldrich (1986) - they found that Asian and Whites usually learn about business sites from friends and family. Furthermore, Birley argues that the entrepreneur relies on his or her own network of informal contacts as a primary source of help in gathering the elements of the business such as raw materials, equipment, and other supplies.

However, when dealing with business problems, Cromie (1991) reports that business support agencies (81 percent) are widely used by both male (76 percent) and female (85 percent) business-owners. This reflects on the function of business support agencies (which commonly supply start-up finance for businesses) which are regarded as sources of help. In addition, Cromie reports that accountants are the second most important source of help (29 percent) followed by business contacts (24 percent), family and friends (19 percent), technical agencies (13 percent) and bankers (12 percent).

On the other hand, Hand and Tomblin (1993) studied entrepreneurial networking in Scotland and USA. They interviewed 20 people in each country with the purpose establishing whether issues relating to networking have importance in encouraging entrepreneurial behaviour. They found that an entrepreneur's networks (either formal or informal) can have a significant impact on the business start-up process. However, family and friends are most used by entrepreneurs as sources of information and support in both countries.

They argue that American entrepreneurs are more committed networkers than their Scottish counterparts. American entrepreneurs are more active and have a greater number of contacts with both formal and informal resources as well as more diverse circles and use secondary relations nearly four times more than the Scots (Table 4.1).

TABLE 4.1 : A COMPARISON NETWORK UTILISATION BETWEEN AMERICAN AND SCOTTISH ENTREPRENEURS

Relations	US sample		Scottish Sample	
Primary	65	25%	57	33%
Secondary	123	47%	37	22%
Tertiary	73	28%	76	45%

Source: Hand and Tomblin, 1993:13.

The inconsistency of the above findings again reflect the cultural differences between entrepreneurs in various places or countries. Perhaps type of businesses, size and age of businesses, as well as entrepreneurs backgrounds explain the dissimilarity of personal network utilisation. However, utilisation of sources of contact networks also depend on the ability of entrepreneurs to identify their human resources, knowledge about their network and skills in networking activities. Networks with more and diverse resources are expected to help entrepreneurs in acquiring a wide variety of resources (Aldrich et. al., 1986). However, the accessibility of the sources of support could help entrepreneurs in solving and developing their business venture.

From the above discussions, it is found that entrepreneurs are heavily reliant on support from their family and friends especially during the start-up process and early days of business. This argument is also supported by a social network study in which Granovetter (1973; 1982) found that family and friends are especially heavily used by young and less experienced workers as a primary source of job information. When the business grows over time the pattern of an entrepreneur's support networks may shift into a different pattern. It is reported that the use of professional institutions such as banks, accountants, and the government can help entrepreneurs in developing their business. In this case, entrepreneurs must be able to chart their different personal networks and include persons with a wide range competencies (Johannisson, 1986). Entrepreneurs in successful business communities usually extend their networks throughout their communities and include strong and weak ties (Granovetter, 1973; 1982). Finally, personal networks can confer strategic advantage (power) on entrepreneurs or managers (Smeltzer and Fann, 1989) which enable them to develop their business.

4.3 Network Characteristics of the Entrepreneurs

The literature on network characteristics of entrepreneurs is concerned with the network concepts based on early work by Aldrich et. al. (1989). These network concepts can be used to understand the network characteristics of Malaysian entrepreneurs. A modified version of the personal network instrument developed by Aldrich et. al. is used for this purpose. In this case, the literature which is related to the network activity, density and diversity of men and women entrepreneurs is examined and compared in the following discussion.

4.3.1 Networking Activity

Networking activity as discussed by Aldrich et. al. is related to the size (the number of people in direct contact with entrepreneurs) and the time spent in cultivating

networks. In the earlier discussion, it is found that the entrepreneur seeks networks to maximise access to information, financial aid, and advice as well as seeking other business support. A variety of network groups are utilised in helping them in the process of starting and running their business. It is suggested that entrepreneurs rely heavily on social and business contacts to gain access to information, markets and other supports. They are expected to have more opportunities through wider social network interactions (Aldrich and Zimmer, 1986).

Johannisson (1986) reports that two-thirds of entrepreneurs exploit their personal networks to start a business. Entrepreneurs gather information and support from people whom they have known for a long time, are close with and whom they have multiple relations (Aldrich et. al., 1986). In this case, entrepreneurs may put effort into networking activities using a variety of means. Perhaps they can start the network activity by identifying their existing networks and trying to chart the people who are close to them (Welch, 1980; Aldrich, 1989; Chin-Lee, 1993). In this case, family and friends could be placed on the top of the list since their role in helping entrepreneurs' business is inevitable especially in the start-up process and early stages of a business venture. The researcher has discussed the benefits of having network relations with these groups in the previous section.

Entrepreneurs may also list in the inventory, their classmates, teachers, co-workers, business associates, social acquaintances, neighbours and professional and society members. The use of these networks is likely to generate more contacts. In addition, entrepreneurs may gain assistance and access to information from these relationships.

Entrepreneurs can construct networks in their contact list by choosing the relevant names from association directories, company telephone books, public telephone books and alumni listings (Chin-Lee, 1993). Welch (1980) suggested that a person needs to have a pocket-sized appointment book in which to note names and networking appointments. Additionally, entrepreneurs can build a network by making interpersonal contacts, keeping address logs, phoning contacts to follow up initial meetings and attending meetings (Aldrich et. al., 1989).

Networking activity may also include participating in professional associations and business groups, seminars and training programmes (Staber, 1993). Chin-Lee argues that by participating actively in associations one can gain leadership skills, confidence, become more visible as well as expand valuable personal networks. She adds that a person should collect business cards and learn how to introduce himself to a stranger. Many activities can be used by entrepreneurs to expand their personal

and social networks. However, Aldrich et. al. (1989) argue that men and women are embedded in different personal and social networks.

The literature in many disciplines is in favour of men who are more active in networking activity whether in jobs, business or social activities. For example, Willmot (1987) found that men were more involved in paid jobs than women while half of the women in his study were not working. Aldrich (1989) reported that on average for every female-owned business, six businesses belong to men, in the US. The increase in women-owned businesses in UK, West Germany and USA is discussed in Cromie and Birley (1992), but a large number of these new ventures fail in the early years. This perhaps reflects networking activities, as well as lack of experience, knowledge and skills in business.

On the other hand, Aldrich (1989) argues in his literature that ".....women are more likely than men to have access to a limited range of jobs, to be shunted to jobs with little chance of promotion rather than to positions with significant responsibilities, and to experience tokenism in upper level jobs. women are more likely than men to have domestic responsibilities, work part-time, and have interrupted careers. women are significantly segregated from men in much of their work life. women see responsibilities and commitment where men see mostly opportunities and right....." (pp. 104-105).

Much of the literature suggests that men are more active in networking activity than women. However, earlier studies show no evidence that men are superior networkers to women. The findings by Aldrich et. al. (1989) found the average network size between female and male entrepreneurs in Italy is not much different ($p=0.73$), and in the United State ($p=0.51$) as well. Cromie and Birley also show no evidence of any significant difference in the number of people with whom entrepreneurs discussed their business. A significant difference ($p<0.01$) between men and women is shown by Canadian entrepreneurs, however, women are reported to be more active in networking than men.

Perhaps the constraints and segregation imposed by males in the workplace encourage women to venture into their own business, and to participate actively in the business. As their rate of failure is considered high, they are likely to network as much as men do. Table 4.2 summarises the results of the above studies regarding network size (the number of persons with whom entrepreneurs discussed their business matters during the last six months).

In contrast to the literature, women in the US talked to a slightly higher number of people as compared to men. Women in the US had spoken to 10.0 people but men had only talked to 9.4 persons. This finding has been significantly supported by Canadian entrepreneurs. Staber demonstrated that Canadian women were more active in talking to people - they had spoken to 24.5 people over the past six months, while men entrepreneurs had only talked to 10.5 people.

However, Italian men talked to 8.1 persons compared to only 7.0 people by their female counterparts. Aldrich and his colleagues found significant differences in network size between US and Italian Entrepreneurs ($p=0.01$), US men and Italian men ($p=0.01$) and US women and Italian women ($p=0.03$). Hand and Tomblin (1993) also support the finding that American entrepreneurs are superior in their personal networks as compared to Scottish entrepreneurs.

TABLE 4.2 : A COMPARISON OF NETWORK SIZE IN VARIOUS COUNTRIES

Country	Person (means)		
	All	Men	Women
U.S.A.	-	9.4 (8.3)	10.0 (9.1)
Italy	-	8.1 (5.8)	7.0 (4.3)
Canada	-	10.5 (9.5)	24.5 (25.5)
Northern Ireland	7.4	-	-

Note: number in parenthesis is standard deviation

Additionally, Cromie and Birley only report the average number of people (7.4 persons) with whom entrepreneurs speak to in spite of their argument that there is no difference between the two groups. The results indicate that entrepreneurs in Canada talk to more people than entrepreneurs in the US, Italy or Northern Ireland. Literature on social networks indicates that men (9.33 persons) and women (9.98 persons) talk to about a similar number of relatives within a six month period but men (13.44 persons) however, speak slightly more with friends than women (12.63 persons) (Willmot, 1987).

In terms of the time spent by men and women, Aldrich et. al. (1989) found that men and women spent about 5.6 hours and 5.8 hours respectively in developing contacts per week with their five closest business contacts ($p=0.92$). Men spend about 5.9 hours, and women about 5.1 hours in maintaining contacts in the US samples ($p=0.45$). There is no evidence of gender differences for samples in the US. However, samples in Italy are statistically significant at a level of 0.10, - men in Italy spent 4 hours more than women in developing (13.0 hours vs 9.0 hours) contacts every week. However, in spite of men in Italy spending 2.4 hours more than women in maintaining (13.0 hours vs 10.6 hours) contacts, the results do not show any significant difference ($p=0.45$). In contrast, Aldrich et. al. found significant differences when comparing the US and Italian entrepreneurs ($p=0.01$), men in the US and men in Italy ($p=0.01$), and American women and Italian women ($p=0.01$) in the development of contact networks. They also show significant differences when comparing the number of hours spent in maintaining contacts per week between the US and Italian entrepreneurs ($p=0.01$), men in the US and men in Italy ($p=0.01$), and American women and Italian women ($p=0.03$).

In spite of talking to fewer people, men in Canada spent on average half of their time (48.9 percent) in establishing business contacts with their personal networks. This is in contrast to women who only spent only a third of their time (29.2 percent). The difference of time spent in establishing business contact between men and women in Canada is statistically significant ($p<0.001$). This indicates that men in Canada use more time to discuss business matters with their close contacts and perhaps covered a wide range of topics in the discussion (Staber, 1993).

The results of these studies explain some national differences in network activity. Entrepreneurs in Canada actively discuss their business matters when compared to the entrepreneurs from other countries. Canadian women seem to have a greater network size than men but spent less time in discussion. On the other hand, American entrepreneurs are reported to have a slightly higher number of contacts than Italians. In contrast, Italians spent more time in discussion than Americans. The differences in these findings reflect the socio-cultural factors of those particular countries.

4.3.2 Network Density

Network density refers to the degree of ties between people in a person's personal networks (Kapferer, 1969; Boissevan, 1974). Bott (1971) refers to this network concept as 'connectedness' in her study of 'Family and Social Network'. It can be

clearly expressed by comparing the total number of actual relations to the total possible relations in a network under study (Kapferer, 1969; Niemeijer, 1973; Boissevan, 1974; Aldrich, 1989). The percentage of network density can be calculated as follows:

$$D = \frac{100 N_a}{\frac{1}{2}N(N-1)}$$

D = Network density

N_a = Number of actual relations

N = Number of persons involved

$\frac{1}{2}N(N-1)$ = Number of theoretical possible relations

In the previous chapter, the researcher discussed the concept of weak and strong ties, and related them to network density. Networks composed of weak ties seem to have a low percentage of network density due to the fact that people with weak ties are less likely to know each other well. Through weak ties, an individual may link to different characteristics of people and gain access to different kinds of information and resources. On the other hand, Granovetter argues that a person whose personal networks are composed of close friends (strong ties) will have a high percentage of network density (see Chapter 3).

Boissevan (1974) explains some differences in network density on the basis of culture and a person's background. He argues that a young person has high density and multiplexity. When he grows older, his social circle enlarges and the density as well as the multiplexity decreases. A place where a person lives also has some relation to network density (an urban centre has a high density of network relations). A person who has more education also has a greater size of personal networks but he has a lower density and multiplexity. Boissevan also argues that kinship relations have a high density and multiplexity.

The above discussion shows that network density is extended to entrepreneurial concepts. Network density in this study refers to the percentage of network members who are strangers to each other. This is applied to the weakness of ties among five network members (close network members) in an entrepreneur's personal networks (Aldrich, 1989; Cromie and Birley, 1992; Staber, 1993). It is measured as a proportion of the five closest network members who are strangers to one another. In other words, the relationships among five network members that are strangers are divided by the total number of relationships reported by entrepreneurs multiplied by

100 percent. The higher the percentage of strangers in an entrepreneur's ties, the weaker the ties among five network members.

The result for US entrepreneurs indicates that the percentage of strangers for men and women is about the same (42.3 vs 44.6 percents). Women in Italy reported a significantly ($p=0.08$) higher number of strangers in their personal networks as compared to their male counterparts (40.7 vs 52.3 percents). The Canadian samples further demonstrated a statistically significant ($p<0.01$) fact that women include more strangers in their personal networks (40.0 percent) than men (26.1 percent). This finding seems to support the research on the samples found in Italy. Table 4.3 summarises the discussion of percentages of network members who are strangers to each other in the entrepreneur's network.

TABLE 4.3 : A COMPARISON ON PERCENTAGE OF STRANGERS
IN ENTREPRENEUR'S NETWORK

Country	Means (percentage)	
	Men	women
U.S.A.	42.3 (29.7)	44.6 (28.4)
Italy	40.7 (24.4)	52.3 (23.4)
Canada	26.1 (25.2)	40.0 (28.3)

Note: number in parenthesis is standard deviation

4.3.3 Network Diversity in Cross-Sex Ties

In the earlier discussion, the researcher referred to network diversity as the variety of linkages between entrepreneurs and their personal networks. The concept of homophily where individuals tend to make friends with other people who are similar to themselves is related to network ties. Those people who have strong network ties among them could lead them to support one another but they may obtain redundant information from their network members. Entrepreneurs who obtain information from relatives and close friends perhaps put their businesses at a competitive disadvantage in the marketplace. However, the early discussion explained that relatives and friends can provide financial and other supports for business-owners. In

this case both relatives and friends as well as acquaintances are essential for the entrepreneur to develop their business performance.

Various studies report that entrepreneurs from a particular ethnic group are supported by their own ethnic community. Chinese, Japanese and Blacks in the US (Light, 1972), Hindustanis, Creoles, Chinese and Javanese in Holland (Boissevan and Gotenberg, 1986), Asians in England (Zimmer and Aldrich, 1987) and Chinese in South East Asia and Indians in Africa (Yambert, 1981) established ties and acquired support from their own communities. Entrepreneurs who have similar backgrounds and cultures in this case find it more convenient to interact frequently among themselves, and more easy to access business resources. However, it is found that most successful entrepreneurs obtained information from interacting frequently with customers, market analysts, industry experts, financiers, accountants, lawyers and marketing experts (Van de Van et. al., 1984). Perhaps in this case entrepreneurs require rich sources of information (Johannisson, 1986) and various people as sources of information (Aldrich et. al., 1987) for their business purposes.

This discussion explains some cultural issues related to network diversity in an entrepreneur's community. For the purpose of this study, network diversity is taken to refer to the proportion of cross-sex ties (sex composition) in the men and women who make up the five personal networks. Women in Malaysia are expected to have different network diversity since they play different roles from men in social and economic activities. Since they are new in business, they may use a variety of people as sources of information and support networks.

Boissevan (1974) argues that an entrepreneur's background such as sex, age, occupation, personality, place of residence and education affect a person's social relations. A man in a Maltese society has many more formal and informal relationships with men than with women. Smeltzer and Fann (1989) found that women business-owners incline to use their own sex for sources of information and support networks. In contrast, men prefer to network with men. They also found that no women business-owners participate in male dominated organizations, but women are reported to be as successful as men.

In contrast, the findings on cross-sex ties (Johannisson, 1988b; Aldrich et. al., 1989; Cromie and Birley, 1992; Staber 1993) explain the importance of men in women's personal networks. Women entrepreneurs are more likely to incorporate men into their personal networks as sources of information and business support. The early studies indicate similar patterns of cross-sex ties in the US, Italy Canada, Sweden and

Northern Ireland. The result is that females appear to rely heavily upon their male contact networks. On the other hand, males include less females in their close networks. Further analysis on men and women shows that cross-sex ties of personal networks are statistically significant for the sample in the US ($p=0.01$), Italy ($p=0.01$) and Canada ($p<0.001$). The researcher summarises the results of cross-sex ties of various countries in Table 4.4.

TABLE 4.4 : A COMPARISON ON PERCENTAGE CROSS TIES BY SEX OF VARIOUS COUNTRIES

Country	Percentage	
	Male	Female
U.S.A.	10.8	66.1
Italy	13.5	63.0
Canada	26.1	40.0
Sweden	13.4	56.3
Northern Ireland	13.0	73.0

4.3.4 Hypotheses Development for This Study

Perhaps cultural factors chiefly explain the differences of the findings since the studies involve various countries. Economic factors and government participation are likely to contribute to differences. However, the composition of entrepreneurial networks for cross-sex ties in men and women entrepreneurs of various countries demonstrates a similarity in pattern. The findings of previous studies provide an opportunity to understand the network activity, density and cross-sex ties of Malaysian entrepreneurs. It is understood that men and women in Malaysia are different in some activities because of the social-cultural demand of Malaysian communities. Women in Malaysia are reported to constitute about one half of the population but only contribute one third of the labour force (Malaysia, 1991c). However, the rate of female participation in the labour force increased from 37.2 percent in 1970 to 46.7 percent in 1990.

The participation of women as unpaid family workers in traditional and informal sectors declined from 39.7 percent in 1970 to 21.6 percent in 1990. This is due to the movement of this group into modern sectors of the economy, especially industrial

and service sectors. However, women are largely concentrated in low-skilled, labour-intensive jobs in the agricultural sector and in low-paid, semi-skilled, assembly-type production operations in the industrial sector. Only 9.4 percent of women are in professional and technical occupations and the majority of them are in teaching and nursing.

Generally, agricultural activities absorb larger proportions of women. However, the proportion declined from 67.9 percent in 1970 to only 28.2 percent of the workforce in 1990. The participation of men in the agricultural sector has also declined from 49.6 percent to 28.9 percent for the same period. This decline of women's participation in agricultural activities had been replaced by an increased participation of women in the manufacturing sectors (from 8.1 percent in 1970 to 24.3 percent in 1990) as well as such sectors as wholesale, retail trade, hotel and restaurants (from 5.8 in 1970 to 19.7 in 1990). Meanwhile, men showed a slow increase in manufacturing (from 9.3 percent to 15.2 percent) and wholesale, retail trade, hotels and restaurants (from 11.6 percent to 19.7 percent) for the same period. However, the total of unemployment among women was reported still higher and their earnings were still lower compared to men.

In some ways, the participation of women in industries and occupations reflects the nature of Malaysian communities, including a lack of appropriate skills and the demands of the home. On one hand, women are considered less active in many network activities as compared to men, because of the cultural barriers found in this society. On the other, the discussion shows that the increasing participation of women in various industries and occupations provides a basis for women to be more active in some network activities.

Three important variables for the study are those of network activity, network density (percentage of strangers) and network diversity in cross-sex ties of men and women entrepreneurs in Malaysia (Aldrich et. al., 1989). Network Activity in this study will cover network size and network intensity. Network size refers to the number of people with whom entrepreneurs have discussed their business over the past six months. Time spent by entrepreneurs in discussing business matters with their five closest contacts every week refers to network intensity. Network density is measured in term of the proportion of the five closest network members of entrepreneurs' personal network who are strangers to one another. And network diversity refers to the percentage of cross-sex ties in the men and women personal network of five closest network members.

In the case of Malaysian entrepreneurs, the above discussion poses four basic hypotheses for the study. First, the size of entrepreneurs' personal networks are not identical for men and women. Women's participation in social and economic activities are limited, perhaps explaining why women in Malaysia include less people in their personal networks. However, the finding in Canada indicates that women speak to more people than men, while in the US, Italy and Northern Ireland there is no significant difference between them. Thus, it is expected that men and women in Malaysia are likely to network with different numbers of people.

Second, men and women tend to spend different amounts of time discussing business matters with their close network members. This reflects the cultural constraints and demands of the domestic activities of women entrepreneurs. Their economic activities are usually supported by their husband and relatives. Third, network density is expected to be dissimilar among men and women in Malaysia. These cultural factors are explained by the fact that women in Malaysia have some limitations in discussing something with strangers while men can overcome these limitations.

Fourth, it is expected that women have different cross-sex ties to men in their close network members. The literature indicates that a mixed result on sex compositions (cross-sex ties) in men and women's personal networks. Perhaps this is due to cultural differences, the background of business and owners as well as the methodology of the study. In Malaysia, the number of women participating in economic as well as social activities increases every year. This could provide women with a pool of network sources among themselves. Since their participation in these sectors is novel, women are likely to discuss their business with men among family and friends as well as persons they know including female staff provided by government agencies. Perhaps some of them are more active with various groups of people in the community. This hypothesis attempts to explain the gender composition of men's and women's personal networks.

In summary, the discussion in this Chapter has focussed on the utilisation of personal networks by entrepreneurs - family and friends are the two groups which are frequently used by entrepreneurs for their business purposes. In many cases, entrepreneurs are found to use their personal savings to support their businesses especially during the start-up process. In addition, family (relatives), friends and bank loans are also exploited by entrepreneurs for financing their businesses. Besides, it was also reported that family and friendship networks are important in providing information, help and other supports for the entrepreneurs. However, the

literature demonstrates that entrepreneurs are actually exploiting a variety of their personal network resources in order to support their business activities.

It was also noted that men and women entrepreneurs are different in some network characteristics. A comparison of network characteristics of men and women in developed nations indicated that their entrepreneurs displayed a similar pattern on cross-sex ties. The results on other characteristics are mixed. Based on the above discussion, the researcher developed some hypotheses on network characteristics of men and women entrepreneurs in Malaysia. The findings of this study will be compared with the literature, and are expected to add to the existing knowledge and understanding of the above issues.

CHAPTER 5

5.0 RESEARCH METHODOLOGY AND PROCEDURE

Research methodology is one of the important topics that has to be considered by researchers in ensuring the success of their research project. This concerns the methods to be adopted in conducting research. According to Adam and Schvanneveldt (1985:16), "research methodology is the application of scientific procedures toward acquiring answers to a wide variety of research questions." Therefore, to ensure the success of research, one has to clearly define the research questions at an early stage, then the objectives need to be clearly specified before choosing an appropriate research design. Failure to identify suitable research methods will lead to the generation of inappropriate conclusions.

In general, the idea of conducting research is to search for the truth by using a scientific approach in generating or extending knowledge or confirming existing theories. The expectation is always that the findings can be applied to solve problems, generate new ideas, improve the quality of working life, provide a better understanding of conditions in a particular field, test hypotheses, and pose new questions for future research (Adam and Schvanneveldt, 1985).

The optimal utility of this knowledge is however dependent on the ability of the practitioners to understand, interpret, and apply these findings to specific problems or situations. The application of the research findings therefore relate to the methodology used; and there has always been a need to consider an appropriate methodology before carrying out a research project.

In the areas of social and behavioural sciences, quantitative and qualitative researches are often used (Schwartz and Jacobs, 1979; Smith et. al. , 1991). Quantitative researches involve quantitative data which are standardized, for measuring events or observations. They normally deal with the development of mathematical and statistical techniques (Hartmen and Hedblom, 1979) for collecting and analysing data. These methods are usually engaged in with deductive research where the researchers believe that there are answers to the research questions. The analysis of the data often involves quantitative analysis and in many cases they permit the testing of empirical hypotheses.

In contrast, Hartmen and Hedblom argue for study from a more interpretative nonmathematical perspective, i.e. qualitative research. These researches are not concerned with standardized measurement and they tend to be less structured. They are more responsive to the needs of respondents and the nature of subject matter. In addition, qualitative researches obtain rich data from a limited number of samples and its analysis are more explicitly interpretative, creative and personal (Walker, 1985; Strauss and Corbin, 1990).

Generally, there are no clear distinctions between the two research methods (Smith et. al. , 1991). For instance, some techniques such as the interview can be used for gathering quantitative or qualitative data. However, both schools are well represented by individuals and institutions all over the world (Hartmen and Hedblom, 1979). In some cases, both methods are combined to check against the findings derived from the other, in order to enhance the validity of those findings (Bryman, 1992).

5.1 Research Method for the Study

The research method to be adopted in this study reflects the research questions and objectives which have been formulated above. Since the research questions and objectives have been clearly defined, the choosing of an appropriate design and method, will lead to the generation of appropriate conclusions. It is important to take into account problems and limitations during the implementation of the research.

It is not always easy to distinguish between research designs and research methods. Bryman (1989:28) argues that research designs should be thought of as the overall structure and orientation of an investigation. It is normally referred to as the programme for data collection, analysing, and interpretation (Adam and Schvaneveldt, 1985; Bryman, 1989; Nachmias and Nachmias, 1992). On the other hand, research methods are concerned with data collection and tend to be associated with particular designs (Bryman, 1989).

Bryman suggests that there are five types of research design, which include experimental design, survey design, qualitative research, case study, and action research. Methods in collecting data which are normally involved in research consist of self-administered questionnaires, structured interviews, participation observation, unstructured interviews, structured observation, simulation, and archival sources of data (Table 5.1).

TABLE 5.1: RESEARCH DESIGNS AND METHODS

Designs	Methods
Experiment	Self-administered questionnaire
Survey	Structured interview
Qualitative research	Participant observation
Case study	Unstructured interview
Action research	Structured observation
	Simulation
	Archival sources of data

Sources: Bryman (1989:29)

Within these designs a number of methods of data collection and sources of data can be used. He further suggests that survey design is typically associated with self-administered questionnaire and structured interview. Qualitative research usually entails participative observation and/or unstructured interview. Experiments, action research and case studies can each be associated with a variety of methods in gathering the data.

The case study, however, overlaps with other research designs. For example, some writers treat qualitative research and case study as synonyms (Bryman, 1989). A case study is normally confined to one or a few subjects. The focus is usually on both qualitative and quantitative data, and the approach tends to be in-depth and comprehensive. This design is considered by many writers as relevant in understanding the particular areas and building theoretical insights (Mitchell, 1983; Yin, 1984).

The above discussion gives a scenario for the relevant research design to be utilised in this study. As discussed in chapter 1, the main purpose of this study is to increase knowledge and understanding of the networking process and utilisation of the small firm entrepreneurs in Malaysia. The area of business networking is considered new by many researchers. The nature of relationships between entrepreneurs and their personal networks have some impact on business development and profitability (Aldrich et. al., 1987; Cooper et. al., 1991; Curran et. al., 1993). Since this area is still new, further investigation is needed to extend our knowledge across the different cultural and economic perspectives of other countries. Malaysia is moving towards becoming a "new developed nation", in which much of entrepreneurial behaviour needs to be explored.

Networks are related to the social and cultural issues of the societies they exist in (Boissevan, 1974). Therefore, it is an advantage to the researcher to investigate the researcher's own community (Hakim, 1986). Chapter 2 explains some cultural and economic issues as well as business and entrepreneurs' backgrounds. The chapter also stresses that the majority of entrepreneurs in Malaysia have low levels of education and operate on small scale.

Taking the above discussion into consideration along with the limitations of the study programme, an exploratory study using the descriptive case approach was undertaken. This refers to a mixed-methodological design or triangulation (Creswell, 1994), where a combination of both qualitative and quantitative paradigms are used in gathering and analysing information from a number of fieldwork cases. Qualitative designs allow the researcher to explore and understand the process of the development of network relationships as well as explain the network behaviours conducted between small firm entrepreneurs and their social networks. While, the comparison and relationships between variables can be tested and explained by using quantitative designs.

Consequently, a combination of quantitative and qualitative techniques allows investigators to use a variety of methods for data collection, where the advantage is to check validity of the findings. In addition, a combination of these techniques provides broadly consistent data and generalizations can also be made by increasing the number of the cases (Hakim, 1986; Bryman, 1989). Creswell (1994) argues that the combined methods provide advantageous to the researcher which enable him or her to understand the concept being tested or explored more easily.

5.2 Procedure in Data Collection

Research in the 1980s into small firm networks was only concerned with an emphasis on the theories of the content of business networks. This study attempts to understand the process of the development of business networks and interpret the behaviour of entrepreneurs when interacting with human resources environments. In exploring this process, interviews with the entrepreneurs of small firms became necessary and during this process quantitative as well as qualitative data was collected.

The information was gathered mainly through personal in-depth interviews with business owner-operators. Fieldwork interviews also allowed the researcher to make

some observation of firms' activities, entrepreneurs and the manner with which they interact with employees and their social resources. These techniques are considered flexible for allowing the collection of data and interpretation of the small firms behaviour, when researchers can observe, talk, listen, record, and evaluate a given situation. On the other hand, respondents are given enough freedom in the conversation to express their ideas and allow an interviewer to identify nonverbal clues expressed by respondents.

5.3 The Interview

The common method usually used in the case approach is the in-depth interview (Walker, 1985; Hakim, 1986; Bryman, 1989, Smith et. al., 1991) and is often claimed to be the best method for gathering information. Interviews are suitable where the research objectives are descriptive and explanatory in the sense of providing understanding and the research topic is sensitive, complex and concerned with a process. Therefore, the interview technique in data collection is considered an appropriate method to employ in this study.

A semi-structured questionnaire was used as an interview tool in this research and was discussed in detail. In recent studies on the subject related to entrepreneurs by Timmon et. al. (1987), Stevenson (1987), Duchesneau and Gartner (1990), Venkataraman et. al. (1990), Larson (1991) and Curran et. al. (1993) all deployed interviews in gathering information.

In the early studies of entrepreneurial networks, Hay and Walker (1986), Butler and Hunson (1988), Fillon (1990), Larson (1991) and Curran et. al. (1993) used interviews with business-owners. This study also involved interviews with every single owner-operator of small manufacturing firms in Malaysia. In addition, some observation of the entrepreneurs behaviour and interaction with their social resources was made during the visit. The interviews were based on semi-structured questionnaires where all discussion with respondents was recorded (Stevenson, 1987).

5.4 Advantages and Disadvantages of Interview

Many writers argue that the interview is one of the most popular methods for researchers and that many advantages can be derived from this method. One of the main advantages is that researchers can explain the purpose of the study to

respondents. In addition, the benefit of the interview is the validity (Hakim, 1986) as well as quality of the data (Adam and Schvaneveldt, 1985).

Walker (1985:4) argues that "depth interview is a conversation in which the researcher encourages the informant to relate, in their own terms, experience and attitude that are relevant to the research questions." The additional information such as respondents' personal characteristics and non verbal clues expressed by respondents can be obtained.

The semi-structured interview allows great flexibility in the questioning process (Nachmias and Nachmias, 1992). Questions can be clearly explained and reformulated and respondents are given enough freedom in the conversation in whatever way they prefer and they have a chance to express their ideas and experiences concerning the networking process of their firms.

The strengths of using interviews as a data collection technique are that a large amount of data can be gathered quickly (Marshall and Rosman, 1989). In addition, immediate follow-up questions and clarification of the information given by interviewees can be made during the discussion. Among the strengths of interview techniques which have been listed by Marshall and Rosman (p 102-103) were:

- a. face-to-face encounter with informants
- b. obtaining large amounts of expansive and contextual data quickly
- c. facilitation of cooperation from research subjects
- d. facilitation of access to immediate follow-up data collection for clarification and omissions
- e. useful for discovering complex interconnections in social relationships
- f. data are collected in natural settings
- g. good for obtaining data on nonverbal behaviour and communication
- h. facilitation of analysis, validity checks, and triangulation
- i. facilitation of the discovery of nuances in culture
- j. provides for flexibility in the formulation of hypotheses
- k. provides background context for a greater focus on activities, behaviours, and events
- l. great utility for uncovering the subjective side, the native's perspective of organizational processes. are used

Moreover, the participation rate is expected to increase, and sensitive and personal information can also be gathered. It has always been a problem for researchers in gathering personal data from small firms in Malaysia. Their low level of education

and sceptical attitude need appropriate approaches and careful explanation of the purpose of the study. Therefore, the researcher believes that face-to-face interviews overcame the reluctance and sceptical attitudes of the entrepreneurs in giving information to strangers by clearly explaining the purpose of the study. In this case, a good personal contact and relationship with them was essential in order to get their cooperation and thus gain quality information.

In contrast, interview costs are considered high. The technique normally involves travelling costs and costs in processing the information obtained. In addition, the process of interviews is time consuming. It also needs interviewing skills such as the ability to develop interaction, obtain trust, and good communication.

The weaknesses of field interviews, as argued by Marshall and Rossman, are that data are open to misinterpretation due to cultural differences and are dependent upon the cooperation of a small group of key informants. The interview process is difficult to replicate since its procedures are not always explicit or are dependent upon a researcher's opportunity or characteristics. In addition, data is often subject to observable effects, obstruction and reactions. It can cause discomfort for the researcher and is dependent upon the honesty of the informants providing information.

As discussed earlier, the interview technique was chosen in this study to explore the idea of networking processes and utilisation by small firms. What is more important is to minimise and overcome the weaknesses during the interview process. Researchers must know what they are going to achieve and which group they are dealing with. The cultural differences for example can be illuminated by choosing respondents from the same cultural background as the researcher.

Some interview procedures and protocols that have already been carried out by early researchers can be used as a guideline in the study. Replication and modification of some of their early work helped in controlling bias. Additionally, three years experience as an extension officer in dealing with farmers and four years experience in giving training and consultation to small firm entrepreneurs in Malaysia, helped the interviews to go very smoothly and assisted in understanding the discussion. In general, the weaknesses of this technique can be overcome by systematically planning the interview processes which included the contact phase, development of questions, equipment checks, scheduling, interpretation, presentation, and evaluation.

The interviewing process may takes several hours or days (Venkataraman et. al., 1990), depending on the complexity of the firms as well as the availability of the entrepreneurs. In this case, the observation of entrepreneurs, employees and their interaction and networking with their available social resources were observed during the visit. Smith (1967) also used to observe the entrepreneurs and their firms in his study, during the interview.

On the other hand, a confirmation of small firms networking and other information were obtained from the entrepreneurs during the discussion. The reason is to ensure that the interpretation of the data collected is consistent with the actual networking process in their firms. This confirmation helped in improving the reliability and validity of the information gathered from fieldwork. Since networks are a cultural phenomena (Curran et. al., 1993), this again gave another advantage to the researcher in understanding and interpreting the networking processes of small firms in the researcher's own culture. The above arguments provide powerful support for the use of the in-depth interview techniques in this study.

5.5 Choice of the Samples

It is important for the researcher to mention here that factors such as limitations of the study, methodology used in the study, structure and cultural problems of the small firm in Malaysia and a review on sampling used in previous studies were considered before deciding the type of industries and the sample size to be used in this study. The idea of doing research is to understand and explain the behaviour of a population (Mendenhall et. al., 1986) from a sample set of entrepreneurs. In most cases, it is impractical or too costly to observe or measure every element in the entire population. Therefore, this study dealt with only one industry and was limited to a sample of 57 entrepreneurs.

One of the constraints in this study was the time available for the researcher during the fieldwork exercise. The sponsors allowed the researcher to do fieldwork in Malaysia for only three months and this limited the number of entrepreneurs to be interviewed. In addition, all the interview expenses were paid by the researcher. In this case, the researcher had to limit this study to one type of small industry, the ethnic business community and the area of the study.

This is a study of small manufacturing firms with specific reference to Bumiputera entrepreneurs. The food industry was chosen since many Bumiputera entrepreneurs are in this business and the food industry is considered one of the oldest industries

participated in by the Bumiputera people (see Chapter 2). The locations of the firms are well dispersed throughout the northern, central, eastern and southern regions of Peninsular Malaysia. In addition they have many common characteristics (see Chapter 2). Small businesses in Malaysia are operated under common business environments as well as regulations. Studies by early researchers (Chee, 1986; Muhamed, 1988; Faridah et. al., 1990; Malaysia, 1990a; Malaysia, 1990b; Ismail, 1992) demonstrate that small firm entrepreneurs have similar problems and common characteristics. In this case, the findings from this study were expected to be generalisable to other industries within the small firm's definition.

Chapter 2 described in detail the size of small firms in Malaysia. This study has dealt with the small food manufacturing industries that have no more than fifty employees and in which the paid-up capital is less than RM500,000.00. The majority of Bumiputera entrepreneurs were in this category, where their rate of failure was considered high, although some of them got their technical support from various government agencies (Malaysia, 1991c).

The study only concentrated on the food manufacturing businesses that were owned and operated by the Bumiputera entrepreneurs in the states of Kedah and Perlis in the Northern Part of Malaysia (Appendix A). The food industry contains one third of the total SSIs and the majority of Bumiputera entrepreneurs are involved in this industry. The interviews were carried out with entrepreneurs who had established their businesses at least five years ago, and who were still trading. By having discussion with those who have experience and success in business, the researcher can learn and get valuable information of the entrepreneurial networks because networks require time to develop. In hostile and volatile environments only a few businesses survive and those who survive are expected to have experience in networks of relationships. Zimmer and Aldrich (1987) suggest that success for small shop owners simply means staying in business. The longer they are in business, the more experience and business knowledge they gain.

The nature of this study, using both qualitative and quantitative information, and the limitation of time in doing fieldwork, did not permit the researcher to interview many entrepreneurs. The qualitative data needed to be handled with care since it was important for this study. In this case, the discussion with entrepreneurs required the used of 'probing' in order to understand the networking activities and therefore it was time consuming. In addition, the firms were located far from one another limiting the interview process. The researcher had to travel miles and to the remote areas in

order to reach the entrepreneurs. Travelling to entrepreneurs' locations consumed a lot of time.

Beside the above reasons, the sample size included in the study was also based on the previous studies. Bryman (1989) argued that the researchers such as Blau (1955), Chandler (1962), Lupton (1963), Cole (1971), Powell (1985), and Barley (1986) used two sample corporations; Dalton (1959) and Sutton and Calahan (1987) based their studies on four organisations; Sutton (1987) had eight case studies; and Yin (1987) had nineteen case studies.

Researchers such as Stevenson (1987) adopted a sample of ten; Butler and Hunson (1988) employed eleven; Venkataraman et. al. (1990) had ten; and Larson (1990) had eleven samples. Larger samples were used in interviews by researchers such as Hay and Walker (1986) who interviewed thirty-eight respondents; Bhavé (1987) had twenty-seven samples; Bruyat (1988) employed seventeen samples; Duchesneau and Gartner (1990) had twenty-six samples, and Filon employed fifty samples. Hakim (1986) suggests that in-depth interviews normally involve fifteen to twenty-five respondents. However, Smith (1967) used interviews with a hundred and ten enterprises in his study of entrepreneurs and their firms.

On the other hand, some researchers using interviews with a small number of samples had analysed them by using statistical tools based on the hypotheses formulated in the study. Wortman (1986) classifies the empirical study of entrepreneurship and small businesses. Among the researchers of this classification using interviews as a research method are Van de Van, Hudson & Schroeder (1984) with twelve firms, who analysed the data by using F-ratio and correlation; Hut (1984) with eighteen companies (Mean, rank order); Miller (1983) with fifty-two firms (ranking); Gasse (1981 and 1983) with fifty-one owner-managers (t-test, correlation); and O'Dea et. al. (1983) with forty firms (standard deviation). In addition, he also classified Ph.D. dissertations by people such as Pelligrino (1980) with twenty female entrepreneurs and analysis by content analysis; Castaldi (1983) with ten chief executive officers (ANOVA); and Goad (1980) with forty executives (Chi-square). Buckeye (1984), in his Ph.D. thesis deals with fourteen small companies and uses Spearman rank-order correlation in analysing his hypotheses.

From the above discussion, taking into account the period allowable by the sponsorship to carry out fieldwork in Malaysia, the methodology used in this study, the background of the business-owners (see Chapter 2), and literature on previous studies; it had been decided that the researcher would be able to gather information

from fifty firms. This figure came up after the presentation of the proposal to the "Research Review Seminar for Research Students" in the Department of Management Studies, University of Glasgow.

In the actual fieldwork, the researcher got help from friends' networks, where their help enabled the researcher to interview business-owners from fifty seven small food manufacturing firms between April and June, 1994. The number of samples was slightly higher than those originally planned. This sample size provided enough information for the researcher to use both qualitative and quantitative techniques in analysing the data. It is worth mentioning here that the fieldwork interviews in Malaysia were limited by the sponsors to a period of three months and all the fieldwork expenses were paid by researcher.

Another crucial part of the fieldwork assignment was to get a list of the full business population and systematically choose the respondents to be included in the study. It was hard to get a complete list of the small food manufacturing firms in a developing country like Malaysia, and there were problems with obtaining the correct figure as well. In 1988, it was estimated, about 2025 SSIs operated in the states of Kedah and Perlis (Malaysia, 1990b). Of that total, about 451 firms belong to both Bumiputera and non-Bumiputera small food manufacturing firms. Based on the percentage participation in the food industries by Bumiputera and Non-Bumiputera as shown in table 2.6 of Chapter 2, a mathematical calculation showed that it was expected that about 207 Bumiputera entrepreneurs were involved in food industries in the study areas ($46.7\% \times 451$ firms).

However the figure was not a true reflection of the small food manufacturing firms since the survey was carried out in 1989/90. As was mentioned before, the rate of failure of Bumiputera business was high. Thus, the total number of food manufacturing firms had changed due to the exit and entry into the industry, businesses increasing in size, and the changing of industries by entrepreneurs.

During the fieldwork, the researcher tried to develop a data-base by getting a list of the names of businesses from the Registrar of Business (ROB). This is a governmental body responsible for giving licences to entrepreneurs. According to staff there, they have had about six hundred thousand businesses registered with them in the last five years, but they did not classify the businesses according to type of industries.

After discussion with the officer in charge of those records, he suggested that the researcher not use the names and addresses in their list, as some of the businesses no longer existed, others had moved to the other locations and perhaps some other businesses were not registered. The researcher would waste time, money and effort using such a list. It was estimated that about 34 percent of small food industries (Malaysia, 1990b) were not registered either with ROB or Registrar of Companies (ROC).

The officer had suggested to the researcher that he get the name and addresses of the food manufacturing firms either through a survey of the products available in supermarkets and shops or from government agencies. The former also required more time and a duplication of jobs, when the researcher had to survey on many shops because not all the products are available in one particular shop in one area. A more practical effort was to get close to government agencies since these agencies are directly involved in developing small businesses, particularly Bumiputera entrepreneurs.

However, similar problems existed where they did not have a complete record of the food manufacturing industry in the states, especially where they lacked the total number of employees available. Some of the small businesses do not appear in their list since those businesses do not have linkage with them.

The unavailability of up-to-date lists of small businesses created limitations in the sampling process. Many studies in Malaysia, when dealing with small firms, have faced this problem. For example, Muhamed (1988) when dealing with quantitative research in his PhD thesis on entrepreneurial development in Malaysia had to use a snowball sampling technique in realising his field survey.

All efforts and constraints were considered to minimise bias in the sampling process. The sample deployed in this study was based on suggestions of the expert field staff of MADA, MARA and KEDA (Kedah Regional Development Authority). This was due to the nature of their job, which involves dealing closely with the Bumiputera communities as well as small business-owners. Therefore, by using friendship networks with these agencies, the researcher easily managed to access most of the respondents since the relationships between entrepreneurs and these agencies were already established (see Section 5.9).

After the researcher came back to Scotland, a friend who was working in a government agency informed the researcher that the total number of food

manufacturing firms belonging to Bumiputera entrepreneurs in the study areas was about 138 firms. If the researcher takes this information as a data base, the sample in this study consists of 41.3 percent of the total small food industry.

5.6 Preparation Before, During and After Interview

The success of the interview is dependent on the skill and sensitivity of the interviewer (Schwartz and Jacobs, 1979), in response to interview situations. The interviewer should generally be a non threatening, understanding and emphatic listener. It is argued that there is not a single predictable formula that can be used to assure that a person will be successful in interviews (Adam and Schvneveldt, 1985). However, quality data for fieldwork can be gathered through a systematic plan of the interview process. Therefore, to ensure the success of interview in this study, a preparation of the activities before, during and after an interview were made.

An investigator should be clear as to why he or she carries out the interview, and should consider detailed preparation including the types of data to be collected before carrying out the actual fieldwork. Based on the literature studies of previous research on topics relevant to this research, types of data for use in this study were developed. The basic questions (semi-structured interview) were formulated for discussion purposes during the interview. The ordering of topics for discussion was arranged and discussed in a flexible manner in order to get as much relevant information as possible and a smooth flow of discussion with respondents.

All the equipment or tools which were used during the fieldwork were properly prepared. In order to make early preparation for the interviews, a checklist of the equipment was produced. The tools which were used during the fieldwork were the list of questions which serve as a guideline for the discussion, files, papers, stapler and paper clips, pencils, erasers, pens, a camera, a tape recorder and batteries, introductory letters from the researcher and appreciation letters for the respondents.

The above preparations assisted the researcher in the process of interviewing during fieldwork. Werner and Schoepfle (1987) consider the interview proper to consist of three phases i.e the pre-interview, the interview, and the post-interview. For the purpose of this study the above phases were referred to as the negotiation stage, the interview stage, and the presentation stage.

The negotiation stage (which was discussed earlier) involved the actual contacts with the respondents. This activity involved the researcher's personal networks which

might have been established quite some time ago. Appointments had been set up with the respondents through the researcher's personal networks. This strategy is considered effective in gaining access to, as well as getting cooperation from the respondents. In addition, during this stage, the research project and interview goals were explained to the respondents. The respondents were informed that all the information gathered would be treated as confidential.

The negotiation stage was considered crucial and was handled carefully due to the serious implications for the interview stage. In the interview stage, the researcher noted all information during discussion with entrepreneurs as well as taping this information. The interviews were treated as casually or informally as possible in order to get a greater degree of feedback (Schwartz and Jacobs, 1979). The questioning was spontaneous and allowed flexibility for the discussion.

Nachmias and Nachmias (1992) suggest that the three factors that help to motivate respondents to cooperate are:

- (1) the respondents need to feel that their interaction with the interviewer will be pleasant and satisfying;
- (2) the respondents need to see the study as being worthwhile to themselves and entrepreneurs as a whole and;
- (3) the respondents need to clearly understand the purpose of the study, the method of selecting respondents, and the confidential nature of the interview.

Many writers argue that 'probes' can be used as an intervention technique (Smith et. al., 1992) to stimulate discussion and obtain more information for meeting the interview objectives. Due to the fact that this research deals with semi-structured interviews, probes were helpful and became an instrument for eliciting and encouraging further information. According to Nachmias and Nachmias (1992:230), the major function of probes is to "motivate the respondents to elaborate or clarify the answer or to explain the reasons behind the answer, and help focus the conversation on the specific topic of interview."

The next stage is the presentation stage. This would refer to the presentation of an early interpretation of small firms networking, based on the information given by respondents, particularly on mapping their business networking. The idea is to verify the actual networking process of the firms with the preliminary interpretation made by the researcher. On the other hand, the reliability of the information collected can also be examined. This process took place after the discussion finished with a particular respondent. It was a summary of the discussion and confirmation

(checking) of the network relations and utilisation between entrepreneurs and their social resources. In addition, this stage allowed the researcher to collect some missing information in the discussion and provided an opportunity for the researcher to present an acknowledgement letter from the "University of Glasgow and Universiti Utara Malaysia" (Appendix D) to the respondents in appreciating their cooperation and contribution to the study.

5.7 Pilot Study and the Actual Fieldwork

A pilot study was carried out with two Malaysians business-owners and a Scottish entrepreneur in Scotland. Fortunately, during that time two Malaysian business-owners (one of whom was involved in the food manufacturing industry and have five years experience in that industry) were in Glasgow accompanied by their wives who were studying here. The discussions obtained from the pilot study were noted and recorded. All the information was analysed and some modification of the questions were also made.

Most of the questions developed were based on, and been used by the earlier studies. The questionnaire was then presented in the "Research Review Seminar for Research Student" organised by Department of Management Studies, University of Glasgow. During this seminar, the questions developed in the questionnaire were scrutinised and improved in line with the purpose and constraints of the study. Then, the questions were translated into the Malay language without changing their meaning.

The actual fieldwork was carried out in Malaysia with the help of the researcher's former network of friends in MADA, KEDA and MARA. It was important to treat and handle carefully the first few cases in order to ease subsequent discussions. The discussions with the business-owners were conducted for between one and a half, and four hours. With the limitations in doing fieldwork research in Malaysia which had been discussed earlier, the researcher has had to work hard to achieve the number of respondents targeted. The experience in fieldwork interviews, and the strategy used in getting access to the respondents is discussed below.

5.8 Gaining Access

In many cases, it is not easy to gain access and cooperation from the small firm entrepreneurs in Malaysia. Many researchers argued that good access is important to get quality data for analysis. As discussed earlier, the researcher used personal contact networks with both entrepreneurs and government agencies. These contacts

were developed during the researcher's four years experience (1989 to 1992) working with them in giving training and consultation to small firm entrepreneurs. In addition, the researcher also used previous colleagues during the researcher's first assignment (1977-1980) as a manager in one of the cooperative branches of the Muda Agriculture Development Authority (MADA) in Kedah.

Fieldwork interviews are difficult tasks where many problems and obstacles encountered need to be overcome. Malaysia is a hot and humid country surrounded by the sea in the east and west, and experiences rain throughout the year (see Chapter 2). The rain during the fieldwork exercise was very heavy and slowed down the fieldwork activities. In addition, the respondents are busy every day with their work and at the same time there were no organisations in the study area keeping complete and up-to-date addresses and telephone numbers of entrepreneurs.

Thus, the researcher made early plans with friends in MADA and KEDA and they helped to organize appointments with the respondents. Since, the researcher had communication difficulties in some areas, the researcher and friends (the government staff) visited the entrepreneurs straight away. A total of about 72 visits to the entrepreneurs' workplace were made (with some respondents visited twice). Of these visits, three entrepreneurs did not want to take part in an interview. Three were not available even though the appointment had been made earlier. Of these three entrepreneurs, two of them visited twice and one was not available. Overall, seven entrepreneurs were available with two visits, and fifty available with only one visit. Most of the entrepreneurs were available in the morning and the late evening. In most cases, those who participated in this research were very friendly and they usually gave away their products for the researcher to take home. Perhaps this reflected the nature of the discussion and they seemed to be happy with the appreciation letter they received.

5.9 Type of Information for the Study

In general, the information which was collected during the fieldwork exercise included the background of the entrepreneurs and their firms (e.g. Aldrich et. al., 1989), the problems encountered by their business (e.g. Cromie, 1992); the people who entrepreneurs normally seek help and advice from (e.g. Willmott, 1987; Nelson, 1989; Cromie, 1992); the benefits obtained from their networks (e.g. Boissevan, 1974; Willmott, 1987; Larson, 1992); the establishment and the development of networks of relationships (e.g. Larson, 1991, Cochran et. al., 1993); and critical incidents (e.g. Curran et. al., 1993) (Appendix B). Both qualitative and quantitative

data were properly recorded during the discussions. A tape recorder was also used in the discussion in order to ensure that all the data was noted.

Qualitative data were used to explain the problems (see Chapter 7), utilisation and processes involved in networking between entrepreneurs and those people who were directly involved in the development of their business (see Chapter 8). On the other hand, quantitative data were used to study the impact of gender (independent variable) on network characteristics which include network size, network intensity, network density and cross-sex ties in entrepreneurs' personal networks (see Chapter 9). The quantitative data was based on the personal contact network instruments developed by Aldrich et. al. (1989). The researcher has already discussed the development of hypotheses and the measurement of dependent variables in Chapter 4.

5.10 Data Analysis

The discussions with entrepreneurs consisted of a statement and descriptions which were expressed in the researcher's own language. Since the data was in both qualitative and quantitative forms, the analyses and interpretation used were also qualitative and quantitative. In dealing with qualitative data, it is much more convenient and easy (Smith et. al., 1991) for the researcher to analyse by hand especially in dealing with the researcher's own language and culture. The researcher has developed a model of managing personal network relationships of entrepreneurs in advance which provided a guide on coding and putting the appropriate sections of data into the categories (Jones, 1986; Yin, 1989).

In analysing the qualitative statement, the researcher had read all the interview transcriptions carefully in order to recall and get a sense of all the discussions. When finished reading all interview transcriptions, the researcher then re-read all the transcriptions in detail once again and made a note of all the relevant topics at the margin of the transcriptions. Then, the qualitative statements were drawn from the transcriptions where each of the discussions were coded and grouped into similar topics. Whilst coding, notes were also made for the explanation of relationships between the stages in the networking process. The statements were compared to find similarities. The process of comparison resulted in categorization of the data (Table 5.3) (Jones, 1985; Glasser and Strauss, 1967; Creswell, 1994). Comparison of the above coding was made through various dimensions of the small firms networks (Table 5.2).

The above analysis is the process of searching for patterns by comparing the qualitative results with pattern predicted from theory and literature (Yin, 1989). At the end of this process, a general theoretical concept of small firms' network was generated. To some extent, the above analysis is closely referred to "the constant comparative method" of grounded theory (Glasser and Strauss, 1967), "open coding" (Strauss and Corbin, 1990) and "segmenting" the qualitative information (Tesch, 1990). All the relevant statements were then translated into English.

TABLE 5.2 : DATA ANALYSIS FOR STAGES IN NETWORKING
MANAGEMENT OF THE SMALL FIRM ENTREPRENEURS

Network Group	Management Stages			
	Planning	Formation	Development	Maintenance
Primary				
Secondary				
Tertiary				

The qualitative statements are presented in Chapter 7 and Chapter 8. The statements are coded as Qa.b/c in which Q represents quotation of qualitative statements, 'a' refers to quotations either in chapter 7 or 8, 'b' is a section in a particular chapter and 'c' is the number of the quotation in a particular section. These statements are further used in supporting the discussions in Chapter 9.

Another method of analysis which is used in this study is content analysis. This is the process of assessing the contents of documents (in this case interview documents) for making inferences by systematically and objectively identifying specified characteristics of the messages (Holsti, 1968). Systematic, objective and quantitative features in content analysis make it reliable and valid (Adam and Schvanedeveldt, 1985) due to consistently applied criteria of selection. Adam and Schvanedeveldt further argue that this analysis can be either quantitative or qualitative in nature, where the former determines the frequency or duration of events, and the latter is used to understand subjective content (such as behaviour in networks). The discussion in Chapter 7 uses this technique, with certain key phrases and words being

counted, and the frequencies then analysed (Smith et. al. , 1992). The frequency is then presented and discussed in percentage form.

In order to analyse quantitative data, a descriptive statistic which includes mean, frequency, and percentage is adopted in this study (Chapter 6, Chapter 7, Chapter 8 and Chapter 9). In addition, the inferential statistics will be helpful in testing the relationship between the background of entrepreneurs and their business, and the network characteristics of entrepreneurs (Chapter 9). Chapter 4 presented the hypotheses to be tested by using statistical analyses.

The analyses between dependent and independent variables in this case are referred to as non-parametric tests which involved the Wilcoxon test, also known as Mann Whitney U-test (SAS, 1987; Mendenhall, 1990; Anderson et. al., 1990) and Kruskal-Wallis test. The Wilcoxon test is based on rank sums for comparing two population distributions and used to analyse the impact of gender differences on network characteristics (see hypotheses in Chapter 4) and the two age groups of business (Wilcoxon test refer to critical value of Z). This research also further investigates the impact of network size and close network members of entrepreneurs on business development. In this case, businesses are categorized into four different groups based on number of employees and age of business (see Chapter 9). The relationships between these variables are analysed by using the Kruskal-Wallis test which provides a comparison of more than two population distributions (Kruskal-Wallis test refers to critical value of Chi-square).

The non-parametric statistics are used in this study due to the small sample size and the fact that the population under study was not of a normal distribution (SAS, 1987; Mendenhall et. al., 1990; Anderson et. al., 1990; Kvanli et. al., 1992). The discussions in Chapter 2 and Chapter 6 explain the distribution of some variables (entrepreneur characteristics and business backgrounds) that are skewed. Seigel (1990:674) listed advantages of using non-parametric test as: "(a) no need to assume normality; can be used even if the distribution is not normal; (b) avoids many problems of transformation; can be used even if data cannot easily be transformed to be normal and, in fact, gives the same result whether you transform or not; (c) can even be used to test ordinal data because ranks can be found based on the natural ordering; and (d) can be much more efficient than parametric methods when distribution are not normal."

All the analyses of quantitative data are made by using a computer programme. The relevant data for statistical analysis was entered into the computer and analysed using

SAS packages. Both qualitative and quantitative discussions are complimentary and convergence of the results, add scope and breadth to the study (Creswell, 1994), as well as explain the cultural issues to the networking theory of Bumiputera entrepreneurs.

5.11 Limitations of the Study

The above discussion has located several problems encountered in the research process especially during the fieldwork exercise. The study only deals with small food manufacturing firms in the Northern part of Malaysia run by Bumiputera entrepreneurs. Even though the similarity of the businesses can reduce inter-industrial variance and increase the homogeneity of the samples, the result can not be generalized to cover the entire business population of Malaysian. In addition, the study was limited to convenient samples, because Bumiputera entrepreneurs were dispersed across the study area, due to unavailability of an up-to-date directory of Bumiputera businesses, especially in this particular area.

The researcher in the circumstances a respectable number interviewed fifty seven Bumiputera entrepreneurs, within the three month period allowed by the sponsorship for carrying out field work study in Malaysia. Since networks are related to the cultural issues and embedded in the social relations of the communities, perhaps a longitudinal design is the ideal method. The development of networks of relationships between entrepreneurs and their personal networks is achieved over a long period of time. A period of several years study of the interactions between entrepreneurs and their personal networks would provide more reliable information on the development of networks of relationships since networks are dynamic and change over time.

The longitudinal design also allows us to have some interviews with the people in entrepreneurs' personal networks, and this enables accurate information concerning the networks of relationships between them to be gathered. In addition, the methodology employed in this study involves retrospective data and relies on the memories of the business-owners. However, the limitation of the duration of the study, time available during fieldwork exercise, cost limitations and other resource limitations did not permit the utilisation of such a design for the dissertation research. Therefore, the above design was used in this study. The data was analysed and discussed in the following chapters.

CHAPTER 6

6.0 CHARACTERISTICS OF ENTREPRENEURS AND THEIR BUSINESS

This chapter refers to the fieldwork data which was collected from the study of respondents regarding the background of small food business-owners and their businesses. The main idea of this analysis is to delineate and understand the characteristics of entrepreneurs and their firms. This information and analysis will then be used for the further assessment of entrepreneurial networks in the following chapter. A comparison of respondent's characteristics is made with special reference to the differences between male and female entrepreneurs.

6.1 Background of Business-Owners

The Malaysian government's intention is to disperse economic activities all over the country. A number of industrial areas in both Kedah and Perlis states have developed, especially in the areas of Kulim, Tikam Batu, Gurun, Sungai Petani, Bandar Baru Darul Aman and Mergong of Kedah and; Chuping and Jejawi of Perlis. Government programmes have been established to attract foreign and local firms and their factories to these areas, not only creating employment opportunities but fostering the development of small and medium sized manufacturing firms in order to support the various activities of the large firms.

The existence of small food manufacturing firms within these industries is essential. Food is essential for the workforce as well as for the general population. Therefore, these industries have been established to provide food and instant meals for the local populations. For reference the terms 'entrepreneurs', 'manufacturers' and 'business-owners' are meant to include the same people and will be interchangeably used in the following discussions.

6.1.1 Gender

This study is focused on the small food manufacturing firms which form one of the vital small industries in the northern part of Malaysia. The 57 business-owners of the firms which participated in this study were Bumiputera entrepreneurs who owned and operated their own business. The sample included 32 men (56.1 percent) and 25

women (43.9 percent) entrepreneurs (Table 6.1). Therefore, this distribution allowed the researcher to make a comparison between these groups as illustrated in the following analysis.

TABLE 6.1 : PARTICIPATION OF MEN AND WOMEN IN
SMALL FIRM MANUFACTURING

	Frequency	Percentage
Men	32	56.1
Women	25	43.9
Total	57	100.0

6.1.2 Marital Status and Number of Children

Most of the small firm owners were married (94.7 percent) with an average of 5 children per family. The samples demonstrated that 96.0 percent of men and 94.7 percent of women were married (Table 6.2). The earlier study of entrepreneurial development in Malaysia by Muhamed (1988) demonstrated in his sample that about three quarters of the entrepreneurs were married at the start of their business.

TABLE 6.2 : MARITAL STATUS OF BUSINESS-OWNERS

	Total N	%	Men(N=32) %	Women(N=25) %
Married	54	94.7	93.7	96.0
Single	3	5.3	6.3	4.0
Total	57	100.0	100.0	100.0

In comparison with overseas samples, Aldrich et. al. (1989) discovered that 82 percent of male, and 66 percent of female entrepreneurs were married, in the U.S.A. In addition, their studies demonstrated that 34 and 35 percent of male and female entrepreneurs were married in Italy. Cromie and Birley (1992) reported that 84 percent of men and 77 percent of female business-owners were married in Northern Ireland.

The above findings suggest the similarity of entrepreneur's background in many places ie. that they are married. Samples in Malaysia show the highest percentage of married entrepreneurs with an average family of 5 children with men having slightly higher numbers of children than women. (Table 6.3).

By having a family, the entrepreneurs have a responsibility to provide basic needs for their families and therefore, they are more committed to their business, or economic activities which give sufficient income to support their families (Boissevan, 1974). Generally, the majority of people in Malaysia within the age range of 20 to 30 years old are married and have around 5 children (Malaysia, 1986).

TABLE 6.3 : NUMBER OF CHILDREN AMONG MEN AND WOMEN ENTREPRENEURS

Number of children	Total N=57		Married (N=54)	
			Male N=30	Female N=24
Means	4.9 (2.8)		5.2 (3.2)	4.5 (2.3)
	N	%	%	%
None	3	5.3	-	-
Less than 4	15	26.3	26.7	29.2
Between 4 and 5	17	29.9	23.3	41.7
Between 6 and 7	14	24.5	33.3	16.7
More than 8	8	14.1	16.7	12.5
Total	57	100.0	100.0	100.0

Note: Number in parenthesis is standard deviation

On the other hand, the Bumiputera entrepreneurs are required by the 'Islamic Syariah Law' to be married before a man and a woman can live together. Therefore, the sample demonstrated that a higher percentage were married (92.7 percent). The 3 not married (5.3 percent) were below 30 years old.

Marriage reflects networks. When an entrepreneur is married, he or she will have more social networks by extending his or her family with relatives on the husband or wife side. Marriage itself involves networks, with exchange relations between husband and wife which include cash, affection, miscellaneous gifts and sex (Boissevan, 1974). However, Boissevan also argued that a married person has less opportunity to meet friends, is no longer completely free to use his or her living quarters and has less time available than as a bachelor.

The shift in relations upon marriage, in term of network dimensions, network size and network ties over time are reflected in the business activities of small firm manufacturers in Malaysia. For example, some of the entrepreneurs access their business networks, seek business information, and obtain financial and moral support through or from the family. This is an interesting argument which provide advantages to Bumiputera entrepreneurs in obtaining business support from their marriage networks.

6.1.3 Formal Education

Education plays a vital part in the Malaysian economy where the demands for skilled and professional manpower in all sectors is increasing. In the small food manufacturing firms, the data showed that the majority of business-owners (61.4 percent) completed their secondary school; whilst the second largest group (36.8 percent) had finished their schooling at primary level. Only one entrepreneur reported having a degree from a local university (Table 6.4).

The sample demonstrated that about 56.0 percent among women entrepreneurs had completed their Malaysian Certificate of Education (M.C.E.) and 28.0 percent finished their primary school. In contrast, the percentage among men entrepreneurs who had completed their M.C.E. (46.9 percent) and secondary school (43.7) were not very much different. Both male and female entrepreneurs had spent about 8.7 years in their formal education.

It was reported in early studies by local researchers that their sample showed very similar educational levels among Malaysian entrepreneurs. Chamhuri et. al. (1990) reported that 48.3 percent and 42.4 percent of entrepreneurs had completed their secondary and primary schools respectively. On the other hand, Faridah et. al. (1990) demonstrated that 44.4 percent of small firm entrepreneurs completed their secondary school whilst 25.0 percent at primary level.

TABLE 6.4 : FORMAL EDUCATION OF MALE AND
FEMALE BUSINESS-OWNERS

Level of Education	Total		Men N=32	Women N=25
	N	%	%	%
Primary education	21	36.8	43.7	28.0
Secondary education				
• L.C.E.	5	8.8	6.3	12.0
• M.C.E.	29	50.8	46.9	56.0
• H.S.C.	1	1.8	0.0	4.0
University degree	1	1.8	3.1	0.0
Total	57	100.0	100.0	100.0

The above studies demonstrated that many of small firms entrepreneurs in Malaysia have their education at secondary and primary levels. Very few small scale entrepreneurs reported having a degree from a college or a university compared to developed countries. Aldrich et. al. (1989) in their sample reported that almost all of the entrepreneurs completed their study in colleges or universities. Education may help entrepreneurs by creating more diversity in their personal network (Aldrich et. al., 1989) and provide important resources that affect the structure of social networks (Boissevan, 1974).

6.1.4 Age of Business-owners

Another important feature of entrepreneurs in Malaysia is their age structure. Approximately 46 percent of the entrepreneurs were in the 39 - 50 age range and 16 percent in the 33-38 age range. About 15 percent of them were above 50 years old and 14 percent below 33 years.

Table 6.5 shows that the average age of small food manufacturers is 43.6 years old, while men manufacturers (44.4 years old) are slightly older when compared (42.5 years old) to women entrepreneurs. Bowser's (1978) study of minority entrepreneurs in the USA found that the majority of minority entrepreneurs were 46 years old or older. On the other hand, an average age of men and women entrepreneurs in Italy is

about 34 years and 29 years respectively, while 43 years and 39 years in the USA (Aldrich et. al., 1989).

The age of Bumiputera entrepreneurs in Malaysia are similar with the US samples. This finding also agrees with some of the earlier studies which indicate that entrepreneurs are older people (Bowser, 1978). The age is also related to marriage status where 94.7 percent of entrepreneurs are married.

TABLE 6.5 : AGE STRUCTURE OF BUMIPUTERA ENTREPRENEURS

Year	Total		Male N=32	Female N=25
Means	43.6 (9.3)		44.4 (10.6)	42.5 (7.4)
Range	N	%	%	%
Less than 33	8	14.0	18.8	8.0
Between 33 and 38	9	15.8	12.5	20.0
Between 39 and 44	13	22.8	12.5	36.0
Between 45 and 50	13	22.8	28.1	16.0
Between 51 and 56	9	15.8	12.5	20.0
More than 56	5	8.8	15.6	0.0
Total	57	100.0	100.0	100.0

Note: Number in parenthesis is standard deviation

It is expected that the structural profile of a person's networks may change during his or her life span. However, it is unavoidable that the emergence of Bumiputera entrepreneurs reflects government policy for the restructuring of Malaysian society. These policies also, to some extent, transform the social and network structures of Bumiputera entrepreneurs. It is relevant to discuss this point in later chapters.

6.1.5 Previous Job

The samples also demonstrated that 38.6 percent of business-owners were in business before operating their present firms. Meanwhile, 31.6 percent had experienced in

various governmental and private agencies. The rest had been self-employed in non-business areas, were housewives, had recently left school or had been unemployed (Table 6.6).

It was interesting to study the previous jobs among female entrepreneurs - 48.0 percent of women were experienced in business and about 36.0 percent had worked in a non-business area, government agencies or private companies before they were involved with the present business.

On the other hand, about 31.3 percent of male business-owners were experienced in business and 28.1 percent of them had been working with private companies. The samples showed that the number of women entrepreneurs whose previous job had been in business was slightly higher than men.

TABLE 6.6 : PREVIOUS JOB OF MEN AND WOMEN
BUSINESS-OWNERS

Previous Job	Total		Male	Female
	N	%	N=32 %	N=25 %
Self-employed				
• in business area	22	38.6	31.3	48.0
• in non-business area	10	17.5	15.6	20.0
Working with				
• government agencies	7	12.3	15.6	8.0
• private company	11	19.3	28.1	8.0
Not working	7	12.3	9.4	16.0
Total	57	100.0	100.0	100.0

The study by Chamhuri et. al. (1990) on rural scale industries in Malaysia found that 10 percent of entrepreneurs were involved in business before operating the present one. They also showed that some entrepreneurs had experience in governmental (20.1 percent) and private sectors (21.1 percent). About 23.7 percent were farmers and fishermen and 24.5 percent were involved in other employments.

Both studies have shown little difference in the employment structures of small firm entrepreneurs in Malaysia. The researcher recorded the highest percentage (38.6

percent) of business-owners experienced in business, as compared with the study by Chamhuri et. al. (10 percent). This probably reflects the government policy of encouraging Bumiputera entrepreneurs to participate in business sectors. Those who are involved in business might change their business activities due to the opportunities available. Previous findings also showed that entrepreneurs usually had held experience related to their business (Bowser, 1978).

6.1.6 Parents in Business

About 28.1 percent of small food manufacturers reported that both their parents were in business. In contrast, about half (47.4 percent) reported neither of their parents being involved in business. Among male entrepreneurs, 34.4 percent of both parents were in business; 34.4 percent reported that none of their parents were in business; 21.9 percent and 9.4 percent of their fathers and mothers were in business respectively.

In contrast, the majority of the parents of women entrepreneurs (64.4 percent) had no business experience. This shows that women are new in business. On the other hand, only 20.0 percent of both of their parents were in business while 12.0 percent of their fathers and 4.0 percent of their mothers were involved in business (Table 6.7).

TABLE 6.7 : PARENTS IN BUSINESS OF MEN AND WOMEN BUSINESS-OWNERS

Parent	Total		Male	Female
	N	%	N=32 %	N=25 %
Both	16	28.1	34.4	20.0
Only father	10	17.5	21.9	12.0
Only mother	4	7.0	9.4	4.0
None	27	47.4	34.4	64.4
Total	57	100.0	100.0	100.0

A study in London by Stanworth et. al. (1989) found that 43 percent of both fathers and mothers were in business, while 38 percent of fathers and 13 percent of mothers

were in business. For the US samples, Aldrich et. al. (1989) reported that 43 percent of men and 48 percent of women entrepreneurs said that their father was self-employed. In the Italian samples, they reported 39 percent and 36 percent of fathers self-employed for men and women respectively. On the other hand, men and women entrepreneurs in the US stated that 7 percent and 17 percent of their mothers were self-employed; and 9 and 19 percent reported by men and women entrepreneurs respectively in Italy.

London entrepreneurs have a higher percentage of fathers and mothers in business compared to the Bumiputera entrepreneurs in Malaysia. The US and Italian samples also demonstrate more of their fathers are self-employed. This reflects on the lack of role models for Bumiputera entrepreneurs. This relates back to the early argument that the emergence of Bumiputera entrepreneurs are encouraged by the government's policy and not the social structure of the Bumiputera community.

Stanworth et. al. argue that the strength of the role-model networks are shown by the high numbers of siblings involved in self-employment. In this case, Bumiputera entrepreneurs in Malaysia not only lack role models at family level (especially among female entrepreneurs); but at community level.. Obviously, Chinese communities in Malaysia have powerful role model networks in the areas which they have monopolised for decades.

The argument is that if the role model network concept is significant to the development of Bumiputera entrepreneurs, Bumiputera people are urged to increase their network with the Chinese business communities where there is an abundance of role models. As a result, it is essential for Bumiputera entrepreneurs to learn and take example from successful entrepreneurs, particularly Chinese entrepreneurs.

6.2 Background of Business

Besides an entrepreneur's personal characteristics, the background of the entrepreneur's existing business was also collected. Basic business characteristics such as business establishment, form of business, years in business, types of food industries, business locality, number of employees and hours worked per week will help in understanding the structure of the small food manufacturers in Malaysia.

6.2.1 Business Establishment

Most Bumiputera entrepreneurs (89.5 percent) had established their own business. About 10.5 percent of the business-owners had inherited the business from their parents. Table 6.8 demonstrates the type of business establishment of small food manufacturing firms in the study area.

TABLE 6.8 : TYPE OF BUSINESS ESTABLISHMENT

Establish	Total		Men	Women
	N	%	N=32 %	N=25 %
New business	51	89.5	87.5	92.0
Inherit	6	10.5	12.5	8.0
Total	57	100.0	100.0	100.0

Bumiputera entrepreneurs are a minority business group in Malaysian society even though the Bumiputera group makes up almost 60 percent of the total population. However, the government's 'New Economic Policy' seeks to create a viable Bumiputera Commercial and Industrial Community through their participation in modern commercial and industrial ventures. Support is given by various agencies to encourage these groups in realizing the policy. After fifteen years of progress, the achievements of the Bumiputera in commercial and industrial ventures still fall short of the policy targets (Malaysia, 1986; 1991c).

However, the samples made in the study demonstrate an increasing numbers of new business establishments owned by Bumiputera entrepreneurs - especially in the food manufacturing industries as compared to earlier studies. Chamhuri et. al. (1990) found that only 22.0 percent of business-owners inherited businesses from their parents and 72 percent started their own business. Another earlier study by Muhamed (1988) demonstrated that 26 percent of business-owners inherited business while 74 percent of them started a new business. In contrast, this study has shown the highest percentage as compared with the study by Chamhuri et. al.. and Muhamed. Therefore, the trend of establishing new businesses by Bumiputera people has increased in percentage every year. This again reflects the strength of government policy and is a good sign for the Bumiputera business community and networks.

In comparing with the overseas study, Zimmer and Aldrich (1987) found that almost all the Asian business-owners in the UK started their own business. Only 1 percent or less inherited the business from their parents. In contrast, between 92 and 96 percent of white business-owners in the UK had started a new business. Aldrich et. al.. (1989) also reported that 64 percent of men and 68 percent of women are business owners in the USA. About 63 percent and 33 percent of men and women entrepreneurs respectively are business-owners in Italy. A survey by Dunkelberg et. al.. (1987) in the USA found that a high percentage of entrepreneurs started their own firms (70 percent) in case of growing firms as compared to declining firms (55 percent). They also reported that the declining firms (35 percent) recorded a higher percentage than growing firms (24 percent) for the business-owners who purchased a business.

The above findings explain that most entrepreneurs are more inclined to establish their own business. In the Malaysian case, many Bumiputera establish new businesses due to personal factors such as desire to be independent, to have higher income, because of the challenge, and so on. There were also external influences such as encouragement by government assistance, and encouragement from family and friends as delineated by early study (Clapman, 1982; Muhamed, 1988; Chamhuri et. al., 1990). A small percentage of business-owners however inherit the business (which is probably a traditional family business), to ensure that this existing business survives.

By venturing in a business, an entrepreneur is actually involved in a risk oriented area (Brockhaus, 1982). MacPhee (1987) presented several key entrepreneurial characteristics which also reflect the psychological and social factors (such as desire to achieve, opportunistic, self-confidence, resourcefulness and so on) influencing the establishment of entrepreneurial firms. Other criteria for entrepreneurs are self-determination, creativity, initiative, independence, diligence, profit-orientation and the ability to get along with people (ability to develop networks) as discussed by Honardy (1982).

To get along with people is one of the important characteristics of the entrepreneurial network. The reason is that network activities require entrepreneurs to develop their social resources. Therefore, the owner-operators of Bumiputera small food manufacturers have to possess and develop this skill in order to be successful in their business. The development of network knowledge for entrepreneurs is critical

nowadays, for their business development and performance (Johannisson, 1991; Aldrich et. al. 1987).

In addition, the owners of the business have a relationship with the cultural and social structure of the particular groups (Light, 1984; Boissevain and Grotenbreg, 1986) of that particular society. Yambert (1981) argued that the ethnic population that resides outside their homeland displays many features of entrepreneurship. There are the case of Chinese and Japanese in USA (Light, 1972), Asians in the UK (Zimmer and Aldrich, 1987), Creole, Hindustani, Chinese and Javanese in Holland (Boissevain and Grotenbreg, 1986); and Chinese in South East Asia (Yambert, 1981). These arguments also suggest that Chinese people actively participate in business in Malaysia as well as all over the world.

History and social structure are reflected in the network structures of business-owners and networks of contacts are essential for the survival of businesses (Light, 1972; Yambert, 1981; Boissevain and Grotenbreg, 1986). Those who are self-employed are expected to seek their network of contacts and supports through their friends, family and other bodies (Birley 1985). The networks also provide role models (Stanworth et. al., 1989) from which the business-owners can take example, and also provide a source of motivation and confidence in developing their business activities.

6.2.2 Form of Business

It is found that 93.0 percent of the Bumiputera food manufacturers were sole proprietors (Table 6.9). Of male manufacturers, 87.5 percent were sole proprietors and 12.5 percent were in a partnership. All women business owners were sole proprietors. Those business-owners who were sole proprietors had normally started their business from nothing and then slowly developed their business activities over time. At the same time the number of people in their contact networks enlarged throughout their business development and their network structure evolved into different structures and forms (Boissevain, 1974).

The sample of minority entrepreneurs in USA (Bowser, 1978) demonstrated that 73.3 percent of the entrepreneurs were sole proprietors. Aldrich et. al. showed that less than 20 percent of entrepreneurs (17 percent of men and 18 percent of women) in USA and less than 15 percent of Italian entrepreneurs (9 percent of men and 14 percent of women) were sole proprietors.

Dunkelberg et. al. (1987) reported that 73 percent of entrepreneurs in declining firms and 62 percent in growing firms had 100 percent ownership of their business. In Northern Ireland, Cromie and Birley (1992) reported that 69 percent of men and 94 percent of women entrepreneurs were either sole proprietors or in partnerships.

TABLE 6.9 : FORM OF BUSINESS OWNERSHIP

Form of Business	Total		Men	Women
	.N	%	N=32 %	N=25 %
Sole proprietorship	53	93.0	87.5	100.0
Partnership	4	7.0	12.5	-
Total	57	100.0	100.0	100.0

The above ownership pattern of business-owners in various countries suggest the importance of the impact of social structure on a business venture (Light, 1982; Boissevain and Grotenbreg, 1986). The Bumiputera (as a minority business group in Malaysia) are beginning to participate and own businesses. They are moving away from their traditional work on the farms and are working with the government or private agencies. This changing pattern of employment will affect social structures as well as the economic pattern of the Malaysian society and are a direct result of the 'New Economic Policy'.

In network analysis theory, the changing of social structures directly or indirectly have an impact on the network structures of business-owners. It is obvious, that business-people will seek to network with more people such as friends, family, suppliers, customers, bankers, and government (Birley, 1985) in society. These social networks could provide them with resources if they are able to identify opportunities and obtain scarce resources from their social environment (Aldrich et. al., 1987). It is essential for the Bumiputera community, whose business culture is just beginning to utilise their business environment not only to obtain physical or monetary resources but also to acquire some business knowledge and skills. Therefore, it is necessary to plan, establish, develop and maintain the network of relationships within their social and business communities as proposed in this study.

6.2.3 Age of Business

Analysis of the samples showed that on average, male food manufacturers had been working in their current business for 10.5 years. This in contrast to 8.7 years average for their female counterparts. Only 28.1 percent entrepreneurs had more than ten years experience in their current business (Table 6.10).

Various studies of small firms in Malaysia showed a similar age structure to the above findings. For example Chamhuri et. al. (1990) demonstrated that 75.2 percent of small firms had started operation within a period of 10 years or less and 24.8 percent of them were more than 10 years old. Mohd-Nasser et. al. (1990) found that 75.0 percent of the small firm entrepreneurs had operated their firms for less than 10 years and 25.0 percent of entrepreneurs had 10 or more years experience in their current business. A report by MITI demonstrated that 30 percent of small food manufacturing firms were between 5 and 13 years old, and about 32 percent were more than 13 years old (Malaysia, 1990b). The above studies reflect the age structure of small manufacturing firms in Malaysia, where many of the Bumiputera firms are new and the number of failures are high (Malaysia, 1991c).

TABLE 6.10 : EXPERIENCE IN THE CURRENT BUSINESS

Years	Total		Men N=32	Women N=25
Mean	9.7 (4.7)		10.5 (3.2)	8.7 (2.3)
	N	%	%	%
Between 5 and 7	19	33.3	31.3	36.0
Between 8 and 10	22	38.6	37.5	40.0
Between 11 and 13	9	15.8	12.5	20.0
14 or more	7	12.3	18.7	4.0
Total	57	100.0	100.0	100.0

Note : Number in parenthesis is standard deviation

Aldrich, et. al. (1987) demonstrated that the age of businesses owned by women (32 percent) was slightly higher than men (22 percent) in the US. They also reported that

the age of businesses for the sample in Italy were 26 percent and 17 percent for men and women entrepreneurs respectively.

The number of years of experience business-owners possess in the present business operation are likely to have some implication for the networks. As the business develops over time, entrepreneurs need to develop their market areas by searching for more customers. People who started businesses were reported to have a higher average number of contacts per week, had more close links and spent more time developing contacts with core network members than people who did not start their own business (Aldrich et. al., 1987). On the other hand, the relationships between entrepreneurs and their business resources get stronger as integration takes place over time (Larson, 1991, 1992).

6.2.4 Types of Food Industries

Table 6.11 shows that Bumiputera entrepreneurs running small food manufacturing firms could be categorised into six different types. The sample demonstrated that the most popular type of food industries (33.3 percent) operated by Bumiputera entrepreneurs were bakery and pastry manufacturing, followed by sauce and spice (28.1 percent), traditional confectionery (17.5 percent). Drink and others businesses (noodles, vermicelli and sea products) were the least popular (10.5 percent each).

TABLE 6.11 : TYPE OF SMALL FOOD MANUFACTURING FIRMS

Types	Total		Men	Women
	N	%	N=32 %	N=25 %
Bakery and Pastry	19	33.3	34.4	32.0
Traditional Confectionery	10	17.5	6.3	32.0
Sources and Spices	16	28.1	31.2	24.0
Drink (Coffee)	6	10.5	12.5	8.0
Others	6	10.5	15.6	4.0
Total	57	100.0	100.0	100.0

Men entrepreneurs recorded high percentages in the bakery and pastry sectors, and sauce and spice industries, but low involvement in traditional confectionery. In

contrast, women business-owners were more frequently found in traditional confectionery and also bakery and pastry. This is probably due to the role of many women in Malaysia who are more involved in food preparation for the family at home and during festivals. Through these activities, they acquire skill especially in preparing traditional confectioneries during "Hari Raya Aidil Fitri" and "Aidil Adha."

The small food industries were chosen in this study due to the high numbers of Bumiputera entrepreneurs involved in this business, as compared to other industries (Malaysia, 1990b). They are actually conducting similar activities and facing similar environmental problems. Therefore, the networking management of the entrepreneurs in these industries are expected to be similar in their activities and patterns

6.2.5 Location of the Firms

The majority (70.2 percent) of food manufacturing firms operate their business in rural areas and the rest (29.8 percent) were in towns (Table 6.12). Many women entrepreneurs are dealing with traditional foods and at the same time they also operate their business in rural areas.

Entrepreneurs in rural areas are expected to have a high density of social networks because the community is small and many activities overlap - they are assumed to play different roles with the same people. Bosseivain (1974) argued that social networks in the small community are high in density and in multiplexity as well as reachability. The structural characteristics of urban networks are both low in density and multiplexity. He further argued that high density and multiplexity would lead to a rapid flow of information.

TABLE 6.12 : LOCALITY OF SMALL FOOD MANUFACTURING FIRMS

Business Locality	Total		Men	Women
	N	%	N=32 %	N=25 %
Town area	17	29.8	40.6	16.0
Rural area	40	70.2	59.3	84.0
Total	57	100.0	100.0	100.0

The entrepreneur might use various strategies in order to gain access to resources or markets wherever they are. They are likely to establish and develop their own contact networks with close friends (strong ties) or business people in many areas because they operate the business for their living. On the other hand, they probably use their weak ties (see Chapter 8 and Chapter 9) since weak ties, have a strong impact on social networks regarding such things as flows of information (Granovetter, 1971, 1982).

6.2.6 Number of Employees

The average number of employees for Bumiputera business-owners has about 9 employees per establishment where men business-owners have about 10.4 employees and women about 7.8 employees (Table 6.13). Men entrepreneurs reported that 21.9 percent of them employed more than 10 employees while only 8.0 percent of women employed more than 10 employees.

The Department of Statistics reported that small industries on average in Malaysia were made up of about 11.6 employees per establishment (Ismail, 1990), slightly higher than this study. The number of employees of small scale industries in Malaysia are still at lower levels since many of them are new in the market. This is compared to the other developed countries in Asia, such as the Republic of Korea and Japan which demonstrated a high number of employees i.e. 31.8 employees and 18.6 employees respectively. Cromie and Birley (1992) revealed an average of 16.8 employees for men and 4.3 employees for women entrepreneurs per establishment. However, the SMI in Philippines were in a very low size category employing on average 1.6 employees.

The size structure of small firms in Malaysia is obviously different and small due to the definition adopted by the authorities and then used in the study. Therefore, a few studies had reported high numbers of employees due to the difference in definition of small firms. This is particularly true of some developed nations which restricted the comparison with the samples in this study.

Business-owners are expected to network internally with their employees and to have large networks in firms which employ many people. They are likely to use their employees to enlarge their contact networks. In this case, men business-owners are likely to have a different network structure because their firms consist of slightly higher numbers of workers. A comparison between men and women entrepreneurs in

terms of the network structure and its impact on business activities will be shown in the later discussion.

TABLE 6.13 : NUMBER OF EMPLOYEES

Number	Total		Men N=32	Women N=25
Mean	9.3 (6.3)		10.4 (8.0)	7.8 (3.0)
	N	%	%	%
Between 5 and 6	18	31.6	21.9	44.0
Between 7 and 8	18	31.6	43.8	16.0
Between 9 and 10	12	21.0	12.5	32.0
More than 10	9	15.8	21.9	8.0
Total	57	100.0	100.0	100.0

Note : Number in parenthesis is standard deviation

6.2.7 Hours Work

The information regarding total hours worked per week by business owners was also gathered during interviews. The small manufacturers mentioned that they were working six days a week and that they had spent more hours especially during the early days of their business. This is not a new phenomenon, but is a part of the business culture of entrepreneurs in Malaysia. The majority of shop-owners, for example, worked extremely hard and opened their shops seven days a week from morning till late at night. This also reflects their social responsibilities and obligations since they earned their living by venturing into business to support their family.

A study by Zimmer and Aldrich (1987) found in an average day, Asian shop-owners opened their shops more than six days per week while White business-owners opened their shops less than six days per week in Wandsworth, Bradford, Leicester and Ealing. In comparison to this study, Asian business-owners showed a similarity when they normally opened their shops or business at least six days a week.

Furthermore, the respondents reported that the average hours worked per week was about 60 hours. The data also showed a mean difference of about 12 hours per week where men business-owners spent more time in business than women. Among men business-owners, the majority (71.9 percent) of them were working between 46 and 75 hours while more than half (52.0 percent) of women entrepreneurs worked 45 hour or less. The time spent in business was less by women business-owners due to their traditional roles in the family and because of the support they got from their husband and children in operating the business (Table 6.14).

TABLE 6.14 : TOTAL HOURS WORK A WEEK

Hours	Total		Men N=32	Women N=25
Means	60.1 (19.5)		66.2 (15.8)	52.3 (21.3)
	N	%	%	%
45 or less	14	24.6	3.1	52.0
Between 46 and 75	31	54.4	71.9	32.0
76 or more	12	21.1	25.0	16.0
Total	57	100.0	100.0	100.0

Note : Number in parenthesis is standard deviation

In comparison with the study by Zimmer and Aldrich (1987) in England, it was found that Asian business-owners opened significantly more hours per day on average than white businesses. They reported that both Asian and White worked 64 hour in Wandsworth and 57 hours in Ealing per week. However, there was a significant difference shown in Bradford where Asians worked 69 hours as compared to 61 hours worked by whites. On the other hand, Boissevain and Grotenbreg (1986) found that the Chinese in Holland work an average of 75.3 hours a week, Hindustanis work 66.7 hours and Creoles 61.8 hours.

On average, the Bumiputera entrepreneurs in Malaysia worked about 60 hours per week - this is in between the samples in England but lower compared to the minority business-owners in Holland. However, men Bumiputera business-owners in Malaysia work more hours compared to the samples in Wandsworth and Ealing. In contrast, Malaysian women business-owners worked less when compared to all

samples in England and Holland. This again reflects cultural differences: women in Malaysia are also involved in house-keeping activities as well as taking care of their children. Their economic activities are normally undertaken voluntarily in order to add an extra income to the family.

Entrepreneurs as the owner-operators of their businesses are involved in all the activities of their firms including acquiring the resources, transformation of the inputs and dissemination of products to customers. They will spend their time not only in production but will interact with their business resources inside or outside their firms. Therefore, a manufacturer's work is a routine process and they spend long hours in operating today and preparation for tomorrow's activities. Obviously, their work planning or scheduling is uncertain.

Aldrich et. al. (1987) argued that the founders of businesses spent more time developing contacts. On the other hand, Cromie and Birley (1992) found that women spent less time on journeys per month to develop contacts and they were likely to use local contacts in their community. Meanwhile, Dunkelberg et. al. (1987) reported that entrepreneurs allocate their time in dealing with customers (87 percent), record keeping (86 percent), direct selling (93 percent), production and servicing (85 percent), purchasing (85 percent) and planning for the firm (73 percent).

Entrepreneurs also use their time to solve some of the businesses' problems. It is inevitable for them to seek networks with their social environment for obtaining resources, information, advice or skills. The Bumiputera entrepreneurs have mentioned a variety of their business problems which in one way or another can effect their business performance and development. These are discussed in the next chapter.

In summary, the discussion in this Chapter explains the background of entrepreneurs and their business. It is demonstrated that Bumiputera communities have relatively little business experience and are small in size. The business culture among Bumiputera people is in its infancy and their level of education is low. It was also found that both male and female business-owners participate actively in food industries since there is a demand for Bumiputera food products within the Bumiputera community. However, many of Bumiputera businesses are less than 10 years old. A comparison between male and female business-owners demonstrated that male owners are more active in business activities and have a greater chance of developing their business. This reflects the obligations and responsibilities of men in the social and economic activities of their families in the Malaysian society.

CHAPTER 7

7.0 PROBLEMS FACED BY BUSINESS-OWNERS AND THE USE OF PERSONAL NETWORKS

The researcher has already discussed that Bumiputera manufacturers in Malaysia are generally new to business and their business community is just beginning to develop. As a new business community, it is unavoidable that entrepreneurs face the challenges and problems found in many aspects of business life. They need the knowledge and experience to be competitive in the market place. In this chapter, the researcher will try to explain the problems experiencing by Bumiputera entrepreneurs, their network structure and the utilisation of their personal networks to overcome those problems in order to promote their business development and performance.

7.1 Problems Faced by Bumiputera Entrepreneurs

A variety of answers are given by business-owners regarding the problems they face during the operation of their business. However, all the problems discussed during the interviews with the respondents can be categorized into six main problems. These problems relate to working capital; marketing; employees; technical and processing issues; raw materials; and other problems. In general, women business-owners reported slightly more problems compared to men. It is interesting to elaborate those problems separately in order to understand their consequences and relate them to the social networks of the Bumiputera manufacturers.

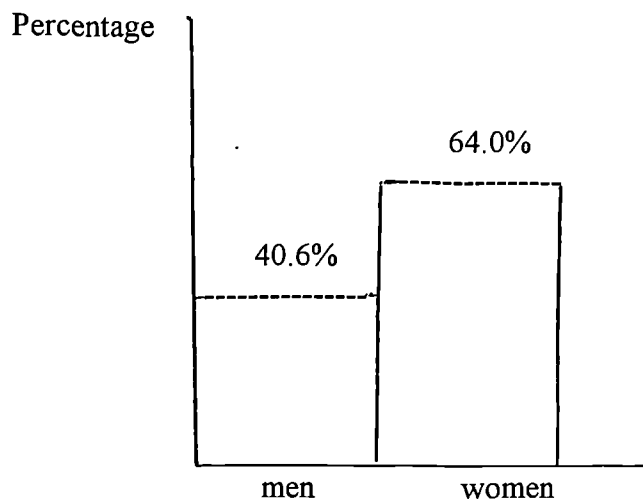
7.1.1 Lack of Working Capital

A major problem faced by many small businesses in Malaysia is a lack of working capital (50.9 percent), which they need to support their business activities (Figure 7.1). About 40.6 percent of male manufacturers reported being confronted with a capital shortage. Similarly, inadequate financial support for the business was noted by female business-owners (64.0 percent).

The earlier study by local researchers also demonstrated that financial resources are a major difficulty faced by small and medium sized firms in Malaysia. As reported by Ismail (1990), based on the survey by the University Malaya in collaboration with

the Tokyo Institute of Developing Economies, entrepreneurs ranked the inadequacy of financial resources faced by the small and medium firms as the most important business problem.

FIGURE 7.1 : LACK OF WORKING CAPITAL



A report by the Ministry of International, Trade and Industry (MITI) also showed that 69.0 percent of small scale Bumiputera industries have financial problems during their business operation (Malaysia, 1990b). In addition, Faridah et. al. (1990) argued that the majority of SMIs have a similar problem - 50.7 percent of entrepreneurs of tiny companies (< 5 employees) and 45.0 percent of small companies cited capital as their major problem.

The above findings suggested that a lack of working capital is a crucial problem faced by business-owners in Malaysia. This study reported that high percentages of both women and men business-owners have this financial difficulty. This problem may slow down or stop the growth of small firms, especially those firms owned by women entrepreneurs who are often severely affected by this problem. The richness of these discussions is conveyed by transcribing the verbal comments of the manufacturers:

"My number one problem is money. I need more money to support my business activities. I have the intention of developing my business. But all we do in business needs money. You tell me where I can get the money to finance my business. If the business is to grow, I need to buy more materials and hire more employees. All of these activities need money." (Q7.1/1)

".....I don't have enough money to develop the business. I tried to seek finance from a bank but I had a bad experience with their officers. I met one of the bank officers in a seminar. We had discussed the business loan during that seminar and he asked me to go to the bank where he works. A few days later, I went to meet him, he told me about the loan procedure wherein the bank needs securities for collateral in

order to agree the loan with me. I don't have any securities to secure the loan except this old house. The promise he made in the seminar, it is nonsense. I don't want to trust them or deal with them anymore." (Q7.1/2)

The above statement shows that lack of capital limits the development of small firms, especially owned by women. At the same time, the small food manufacturers also have problems gaining access to capital due to procedures such as the need for collateral put forward by financial institutions (Clapman, 1982; Malaysia, 1990a). This problem is crucial to many Bumiputera businesses.

Cromie (1991) also showed that financial problems faced by both men and women entrepreneurs in areas such as lack of funds and cash flow have a more serious affect on women entrepreneurs. Hisrich and Brush (1987) also found that the lack of working capital among women entrepreneurs occurs not only during start-up but also during the later stages of the development of the business.

The discussion in the literature also identifies finance as one of the crucial problems facing entrepreneurs (Johnson, et. al. 1982; Clapham, 1985; Chee, 1986; Goss, 1991). It was mentioned in the interview that many factors contribute to this problem such as the business being too small, reluctance to be involved in "usury", reluctance to get into debt, inability to present a profit and loss account, inability to prepare a business plan, inaccessibility of credit and financial institutions and the strategy of gaining access to customers by extending credit to their customers.

In this case their networks seem to be restricted and they have a lack of knowledge and skills about networking. From what has been gathered in interviews, firstly, it is interesting to note that to some of the entrepreneurs, their financial viability is not the obstacle which is creating capital shortages for their business. However, they are having financial problems due to personal reasons.

For example, entrepreneurs are likely to have a financial difficulty, but not only because of their lack of experience, but also because of the perceived risk - especially among women entrepreneurs (Hisrich and Brush, 1987). Some of them just do not want to take on a loan due to the fact that they don't want to commit themselves to debt, especially with the bank interest. If they really want to get the loan from financial institutions, they may seek to network with various government agencies to acquire the knowledge and help in preparing a business plan. They possibly have their own personal reasons, perhaps they merely don't want to grow as one of our respondents stated:

"In business we must have a little envy. We have our own strengths and strategy in business. We don't want them (employees) to know where our customers and suppliers are. Our worry is that they might take the opportunity to set up their own business and become our rivals....." (Q7.1/3)

This attitude not only limits the growth of the business due to the entrepreneur's personal reasons, but restricts the networking activities of the firm. Secondly, some entrepreneurs noted that capital shortage is due to the inaccessibility of the credit and financial institutions. It was argued earlier that the majority of the business-owners in Malaysia have a low level of basic education and a lack of formal business training (Malaysia, 1991c).

In addition, they are involved in the business for their living and therefore, they concentrate more on the production and marketing sides. They do everything by themselves - from acquiring the resources, operation of the production process and distribution of products. Many of them do not have time to record their business transactions and they have a tendency to mingle their business and personal finance (Faridah et. al., 1990).

Clapham (1985) in his arguments on small Bumiputera businesses in Malaysia concluded that a lack of organized book-keeping and securities for collateral are typical problems affecting small business activities. Furthermore, the limited capital and unavailability of funds has an impact on production processes where traditional methods of technology are preferred especially by small scale firms (Hasnah et. al., 1990).

From the discussion, the researcher has found that many small firm entrepreneurs may have a management problem, especially when they fail to record their financial transactions properly. On the other hand, they also do not have security for collateral. Both of these restrict them from getting access to the bank. However, from the network perspective, many Bumiputera entrepreneurs may fail to use their personal networks to gain access to the financial institution and convince the loan officers of their creditworthiness.

Thirdly, many entrepreneurs are used to putting their products in the shops without taking any money. They may come to collect the money a week or two weeks or even a month later from the shop-owners. The popular term used among them for this type of transaction is "tukar bill" or exchange of the bill, where the money is collected during the next visit. They have to do this because many of their competitors are also doing this kind of transaction. This business activity is really

based on mutual trust. Consequently, the capital shortage becomes worse when their customers ask for an extension to the credit, and even worse if the customers disappear with the money. This case has been stated by two of our manufacturers:

".....I had a bad experience when customers did not turn-up with RM1,700 from the sale of products...." (Q7.1/4)

"....In some cases, they (agents) have financial difficulty and used some of the money to pay other debts, leaving them unable to pay the full amount for the products which they sell.and they promise to settle the payment when they overcome their problems....." (Q7.1/5)

The above statements denote a typical example of the problems related to the financial shortages of the small firm entrepreneurs. Strategically, small firm entrepreneurs leave their products to the shop-owners or distributors, and normally customer credit is given in order to keep old customers and win new ones (Clapham, 1982), and such acts encourage sales and boost the business (Faridah et. al. 1990). Consequently, their capital is tied up and it becomes crucial to collect debts from customers who are unwilling to pay.

A more interesting issue is when these entrepreneurs finance their business in order to keep their business going. Entrepreneurs' behaviour are related to economic activities, which are embedded in their social relations (Granovetter, 1985). They are likely to overcome their capital shortage by seeking financial support from their network of relations. This will be discussed in the following section..

The behaviour of business-owners are also reflected in their business intention of whether to grow or not to grow. The business-owners may use their personal networks to acquire the knowledge or to gain access to particular agencies in developing their business. If they have an ambition to grow their business and for it to be successful, they may exploit their personal networks, and this seems to be indispensable (Johannisson, 1991). The discussion about the source of financial support in Section 7.2 in this chapter will explain the structure of support network gathering by business-owners.

7.1.2 Marketing Problems

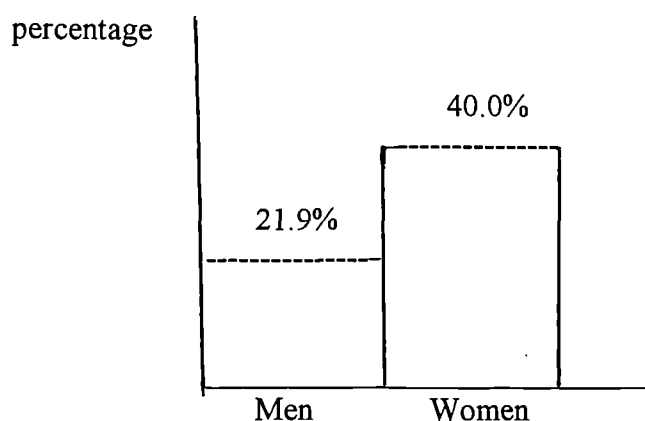
This problem is mostly related to how Bumiputera entrepreneurs gain access to their markets. All the business-owners mentioned that they only market their products in local markets (Northern part of Malaysia), only occasionally at the national level. None of them were involved in overseas markets. It was found that 28.9 percent of

business-owners reported problems selling their products. The women entrepreneurs again had reported that marketing was the second highest (40.0 percent) problem they faced after finance. On the other hand, only 21.9 percent among men manufacturers had this problem (Figure 7.2).

The early studies by local researchers also found that marketing problems are one of the crucial problems facing small firm entrepreneurs (Muhamed, 1988; Chamhuri et. al., 1990; Faridah et. al., 1990). Faridah and her colleagues reported that 20.0 percent of their respondents rank marketing problems as the major problem. A report by UNIDO (1990) demonstrated that 60.0 percent of small and medium industries indicated that they did not have enough sales, which they relate to the inaccessibility to the market. MITI reported about 53 percent of Bumiputera entrepreneurs having marketing problems as compared to only 38 percent by non-Bumiputera entrepreneurs.

Various reasons were forwarded by business-owners related to marketing problems including such things as getting access to retailers; late payment by customers; low sale price; and promotion, competition and distribution of products. Similar reasons for marketing problems were also discussed by earlier researchers such as Cromie (1991) and Faridah et. al. (1990).

FIGURE 7.2 : MARKETING PROBLEMS OF SMALL FIRMS



As reported earlier food industries are one of the most popular industries among small firms in Malaysia. Many of the food manufacturers depend on retailers to market their products, but some of them face difficulties in getting those retailers or shop-owners to sell their products. The reasons given by the shop-owners are that they already have similar products or they do not have enough space. One of our respondents complained:

"If the shop-owners do not want to sell the products, they will try to give me various reasons. Some of them said they already have similar products. The others said they don't have enough space to display the products. The fact is that they don't want to sell the products." (Q7.1/6)

The problem of late payment by customers is one of the factors which is not only related to marketing problems but affects financial difficulties. An example of this has been stated in the earlier discussion on the lack of working capital (see Q7.1/4 and Q7.1/5). Besides, they have to maintain their sale price at a competitive price in order to compete in the market. Therefore, many of them hire their family members - this enable them to reduce the cost of production, in order to maximize their profit. Just after finishing the interview, it was reported that the bakery manufacturers had increased their price of the bread. Consequently, the government has decided to put this product under the jurisdiction of the "Controlled Item Act."

In addition, Bumiputera entrepreneurs not only face competition among themselves but with other ethnic business groups and with medium size and large industries. Many of them try to avoid too much competition from the other business ethnic groups by venturing into traditional foods, with the intention of winning Bumiputera customers. This is the case of one entrepreneur who stated:

"This is a simple business. It doesn't require big spaces or demand much capital. This is our traditional food and I normally sell to Bumiputera customers." (Q7.1/7)

On the other hand, some non-traditional food manufacturers have strong competition from other ethnic groups, who have stated that they have an intention to sell their products to Bumiputera customers. The reason is the other ethnic manufacturers (especially Chinese entrepreneurs) are already established in the market. Because of the culture and religious belief of Malay customers, who prefer the "suci" (clean) and "halal" (permitted by religion) products, thus, many Malay entrepreneurs have concentrated on Malay customers. One entrepreneur commented:

"I do this business not only for myself but to provide an alternative to our customers (Malay), to give them "halal" food. Some producers do not understand, and simply use ingredients such as kind of alcohol, especially in bread which is prohibited by our religion. Their reason is to extend the expired period of the food. Not many customers have realised this thing. Therefore, I hope that Bumiputera customers will realise this issue and turn to Bumiputera products." (Q7.1/8)

The business and marketing strategies adopted by some Bumiputera entrepreneurs will only restrict their marketing activities and increase competition among themselves. In addition, these strategies also limited their customer networks, which

in the long term will halt their business growth. It is urged that Bumiputera entrepreneurs explore and network with new market areas and with different groups of customers, for future business development.

The promotion strategy used by the Bumiputera entrepreneurs is not rigorous enough. On the one hand, the majority of them do not promote their products but rather rely on the brand stamping on the products, as well as through word of mouth. This had been stated by one of our manufacturers:

"....once they have tasted the product, the customers will notice that my product is different. Then they will check the brand and tell their friend about the product." (Q7.1/9)

On the other hand, only a few of them make an effort to promote their products through local networks such as doing demonstrations in the "Agric Market" or "Weekly Market", participate in business trade, and through various government agencies. One of the experienced entrepreneurs emphasised how important it was for Bumiputera entrepreneurs to be close to government agencies because these agencies could help them in many aspects of business, including promotion of products. He stated:

"When I set up my business at first, I used to sell the product everywhere. However, I do not have much time to organise the selling everyday. Therefore, I used to leave a few samples with a government agency because many people, including business-owners visit them. If they organise a trade show or any such occasion takes place in a town or some where else, they will contact me to participate. I do not want to miss this opportunity....." (Q7.1/10)

Manufacturers, by whatever means seek to sell their products in order to get back the money which they invest in gathering inputs and in production processes. Many of them are involved in selling their products themselves, and experience difficulties in all marketing areas (Clapham, 1982). On the other hand, a limited educational background and lack of knowledge in business management also contributes to the problem.

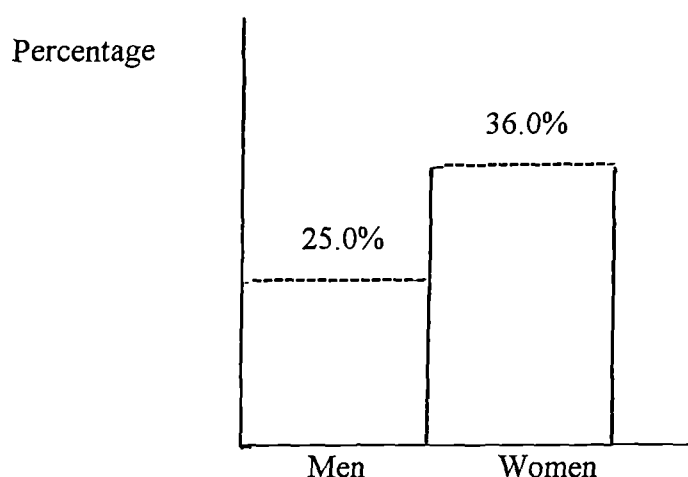
The discussion above demonstrates various factors are associated with marketing problems. The important point of this study is that it is related to the network contacts and relations of the business-owners with customers - how they obtain access to the customers and penetrate the market. In general, the small Bumiputera manufacturers distribute their products through several main marketing channels such as direct network channels with retailers, network channels with their agents and

networks with government agencies. In fact, these kind of networks are more suitable for discussion in the next chapter which outlines how entrepreneurs form, develop and maintain their business networks.

7.1.3 Employee Problems

Employees are another problem area reported by the small manufacturing firms, which may affect their business activities. Overall, 29.0 percent of them face various employee problems. Again, women entrepreneurs demonstrated a higher percentage (36.0 percent) of employee problems compared to men (25.0 percent), as shown in Figure 7.3. A report from MITI showed this problem as a little lower (16 percent) than the above findings, probably due to the different samples, and the period of the study.

FIGURE 7.3 : EMPLOYEE PROBLEMS AMONG MEN AND WOMEN BUSINESS-OWNERS



Many of the small Bumiputera manufacturers do not feel this difficulty due to the fact that they use their family members, particularly in the production side. This research found that both men and women manufacturers use on average about three members of their family in the business. Some manufacturers argued that this type of labour is temporary, where the family members will leave the business after they get a permanent job or further their study. The discussion with one of our respondents stated that:

"My sister helped me in doing record keeping. She had just finished her higher secondary school and was waiting on an offer to enter university. I do that work myself if she is not around but I have to work extra time. I think I should get someone to do that work if she leaves." (Q7.1/11)

Family members normally do not demand high pay from the business because the members in the family earn their living from that business. As reported by MITI about 23 percent of the total employment in the small firms are non-paid family workers. Of that amount, small food manufacturers are reported to have 39 percent. The unpaid labour of family workers can reduce the cost of production. However, when the members of their family get a better job elsewhere or continue their study at a higher level, the manufacturers may be confronted with a shortage of employees. A high labour turnover was also reported by one of our manufacturers. He stated that:

"It is not easy to get a committed employee for a job in a small firm like this. They work for a few months and leave their job because many jobs are available in the big firms and they can earn more money there. I used to sustain them by giving them incentives such as a yearly bonus and holiday for those who have a good record and a long service, but the pull from outside employments is stronger, and enough to make them leave this business..... If I need extra workers, I normally tell my friends and employees that the business is looking for new employees. Then, they will pass the word to their friends or relatives in their area about the vacant jobs. Their friends will apply for the jobs and after I'm satisfied, I offer them the job. But a few months later another employee resigns....." (Q7.1/12)

The above statement indicated how crucial labour turnover is to some manufacturers. On the other hand, the later part of the statement demonstrates the utilisation of entrepreneurial networks. Obviously, the entrepreneurs' personal networks are used for the purpose of hiring employees from the local labour market, because the small firms normally do not have enough money to offer an attractive wage compared to the big firms. Therefore, local employees are more suitable to hire due to the fact that they are near to the production site.

However, many of the workers prefer to work with the big manufacturing firms in town rather than working with the small firms in the rural areas. Some of the big firms offer free transport services to collect the employees from the rural areas. Big firms not only offer attractive pay, but many other incentives such as a transportation allowance, attendance allowance, subsistence allowance, yearly increment and bonus, accommodation, career development training, company clinic, company uniforms, insurance and many more facilities.

Therefore, in order to overcome this workforce problem, some of the manufacturers are hiring elderly employees especially women who have normally settled down with their family in a particular area. These employees generally work in the production side since many of the small manufacturing firms are using labour intensive technology (Clapman, 1982; Faridah et. al., 1990). However, the turnover also exists

among employees due to personal crises among themselves during their work. One of our manufacturers reported that:

"I have to hire elderly women because not many young labour forces are available in the rural areas. I believe that the elderly women are more committed to their job due to the fact that they have settled down with their family in this area. However, I also have problems with labour turnover amongst them. They silently leave the job. Therefore, I need to go to their house and ask them why they left the job. They tell me that they have problem with the members of their work group. I promise to solve this problem by placing them in another group. Then, they come back to take their job and they seem happy with the new work group. I have to be careful with them because it is hard to get a work force and many young people do not prefer to work in the rural areas." (Q7.1/13)

The researcher has discussed the various factors contributing to employee problems faced by the Bumiputera manufacturers of small food industries in Malaysia. Problems have been discovered involving the use of entrepreneur's personal networks (Johannisson, 1991) which are embedded in the entrepreneurs personal relations (Granovettor, 1985). It is not practical to use sophisticated advertisements because they may need one employee or a few employees at a time. The labour shortage is not too critical for some entrepreneurs since they can use their family members or increase their working hours. However, the use of entrepreneurs social resources (Lin, 1982) in seeking employees is indispensable.

On the other hand, the way local entrepreneurs handle and develop their relationship with their employees will affect the employment problem. It is important for entrepreneurs to have skill in employee relations and try to develop good network relations among all employees. This will probably help in creating a harmonious environment for the employees and hopefully prevent the employees from leaving the company.

7.1.4 Production Problems

This problem refers to the difficulties in production processes which include technical and processing problems faced by the small food manufacturing firms. The production processes of small firms are normally simple and do not require sophisticated machinery. In addition, the Bumiputera small food manufacturers are labour intensive, and require relatively little skill.

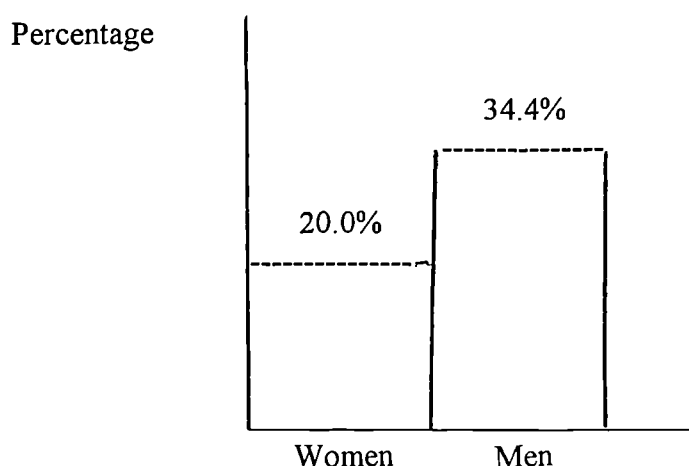
It was found from the interviews that production problems were the fourth most frequent mentioned problem for small food manufacturers (28.1 percent). Figure 7.4

shows these problems were more serious, and were the second highest reported by men entrepreneurs (34.4 percent). Only 20 percent of women entrepreneurs highlighted this problem.

Some other studies in Malaysia also found that production problems were faced by small scale industries (Malaysia, 1990a; Faridah et. al., 1990). MITI has reported that 16 percent and 8 percent of Bumiputera entrepreneurs face technical and production problems respectively. Cromie (1991) also demonstrated that men experienced slightly more production problems than women.

It is argued that low levels of technology and a lack of indigenous capability for technological development among small scale industries are major obstacles to achieving a higher level of industrialization in Malaysia (Malaysia, 1990b).

FIGURE 7.4 : PRODUCTION PROBLEM AMONG MEN AND WOMEN ENTREPRENEURS



Men have the responsibility to earn their income to support their family, as well as to take care of their parents. Therefore, they are probably aiming to grow their business and are inclined to use more sophisticated machines in production processes. In this case, it is unavoidable that they have to face technical problems during the processing stage. One of the respondents reported:

"I had problems with machine breakdown early on. When I contacted the supplier of the machine, he had to take a few days to send his mechanic to my factory and repair the machine. Then after a few months, the machine broke down again. I couldn't stop the production process because I didn't want to lose my customers."

Therefore, I took the initiative to learn about that machine and now I can repair the machine and I don't need to wait for the technician." (Q7.1/14)

Business is important to men and their responsibility to their family encourages them to learn a new skill. In this case, their network relations with suppliers need to be maintained, so they can learn new production skills and seek assistance when the machines break down. Furthermore, networks with customers are also important for the survival of their business. If they stop delivering products to the customers, their competitors will exploit this opportunity to develop network relations with the customers. This will jeopardise their position in the market. Therefore, they need to ensure that there are no difficulties in their production processes.

On the other hand, the production problems were not serious among female entrepreneurs. This is probably due to the fact that they use lower levels of technology in their production processes compared to men. Many of the women manufacturers are in traditional confectionery businesses where the production processes do not require sophisticated machines.

Furthermore, women venture into business to support their husband in getting more income for the family. Their function in providing income for the family is not as sensitive as men. Dealing with low level technology in production, and location of their business in the rural areas, women entrepreneurs are expected to have less technical and processing problems. However, some of them reported that they needed better ovens for the production process. One of them stated:

"Many orders have been placed by either wholesalers or individual customers during 'Hari Raya'. We have to work until midnight and we need more employees during this time If we can get a better oven and a bigger capacity then our work will be easier." (Q7.1/15)

In addition, the production problems are also related to competition and product innovation. Small manufacturers in Malaysia do not possess the type of qualities that qualify them as archetypal capitalist (Faridah et. al., 1990). They face strong competition either among themselves or with the medium and big firms, but make little or no efforts in the area of product innovation. On the other hand, a small number of them are willing to go for product innovation and try to create a different product from the existing one, especially in the taste of the product. One of the respondents suggested to the researcher that:

"I have been facing strong competition from the other manufacturers because we produce the same kind of products. If possible I would like to produce a product

which is different from them. I have no idea right now but I suggest to you, if possible to bring back recipe books regarding bakeries and confectioneries from the UK for me. With that I hope to blend UK recipes and have a different taste to my products." (Q7.1/16)

Manufacturers have strong competition in their industries and are eager to go for product innovation. A few of them are even willing to network with research agencies (especially from MARDI). Forming network contacts with such agencies seems to be necessary, if the entrepreneurs are aiming for growth in their business and for new ideas in developing their business. This has been stated by one of our manufacturers:

"I used to be close to government agencies such as MARA and MARDI in order to get new ideas for my business. I attended a few training programmes in MARDI and I learnt how to produce this product from them. Their officers sometimes visit me and give moral support, telling me the latest technology and giving some suggestions to improve my business." (Q7.1/17)

One of our entrepreneurs stated that he had acquired the technical and production skills from his friend before he operated the business. He still maintain a good relationship with his friend and occasionally consulted him if he has production difficulties.

".....I learnt to make this product from my friend. I worked with him for a long period of time. We are really good friends. He is helping me in many things especially in the production processes....." (Q7.1/18)

However, the fact is that technological problems are associated with financial difficulties and marketing constraints of small firms. Many of them were not reported to have technological problems because they are more sensitive to the financial aspects. One of the them said:

"What we need is the money. Our Malay entrepreneurs now can do anything but the problem is money. If we have money we can develop the business, buy new machines and produce more products." (Q7.1/19)

From the above discussions, it is clear that it is important for entrepreneurs to establish networks with their social environments in order to overcome or reduce production problems. Knowledge and skills in production processes are important for the entrepreneurs and businesses in order to be competitive in the market. In this case, the networks with some agencies (particularly with MARDI) and suppliers which can provide assistance in the production processes are compulsory. In

addition, relatives or friends who have knowledge and skills in the technical and production sides are also important for business development.

7.1.5 Raw Material Problems

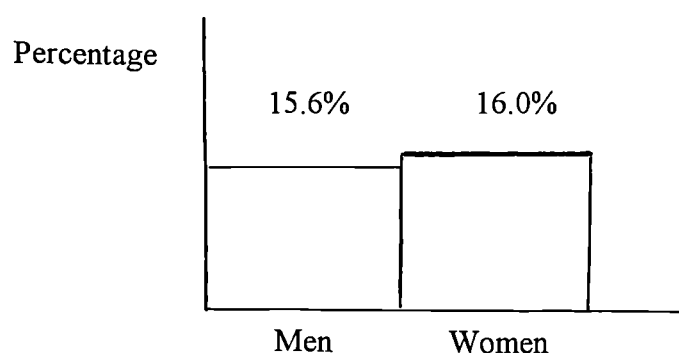
The problems of raw materials appeared to be the least of the problems reported by both men and women manufacturers. It was found that about 16 percent of men and women manufacturers face these problems. Faridah et. al. (1990) also discovered that only 10.9 percent of entrepreneurs ranked this problem as their major problem while 29 percent ranked it second and 26.2 ranked it the third most critical problem. A higher percentage has been reported by MITI (36 percent) of Bumiputera entrepreneurs confronted with problems (Malaysia, 1990b).

Respondents frequently complained of the inaccessibility of raw materials, the unavailability of raw materials needed, the price of raw materials and the distance between suppliers and firms. It is found from discussions with the respondents that the manufacturers change their supply networks especially those who are new in the business. In this case, they probably seek to network with a suitable supplier, for business purposes.

Some entrepreneurs have established, developed and maintained their network exchange with their suppliers, especially those who already have been a long time in business. Their good network relations with the suppliers not only help to develop their business but benefit them in giving them access to other business resources. The use of business networks also seems to be important in gaining access to other resources. One of our manufacturers stated:

"....one of my suppliers is very close and personally knows a bank officer in town. He helped me to get a loan..... " (Q7.1/20)

FIGURE 7.5 : RAW MATERIAL DIFFICULTIES AMONG MEN WOMEN BUSINESS-OWNERS



The majority of small food manufacturers reported that they could easily get access to materials because the amount of raw materials needed in their production can be accommodated by the local suppliers. Only a few are reported to be supplied by the big suppliers in the state of Penang.

Those suppliers normally obtained the raw material from big foreign firms. From Indonesia they get coffee seeds; from Thailand they get flour and empty bottles; and from India they get chilli. Chamhuri et. al., (1990) demonstrated that 72.8 percent of entrepreneurs obtained inputs locally and 18.3 percent purchased from suppliers within their own states. On the other hand, it was reported by MITI that 99 percent of small food industries purchased their raw materials locally. Two of the manufacturers stated that:

".....I bought the raw material from a local shop in town. I used the flour from Thailand for my product because the flour was better in quality." (Q7.1/21)

"My supplier who supplies the coffee seeds to me is in Penang. I don't have problems with the quality of the materials he sends to me because he already knows what I want. I know that he gets the materials from Indonesia." (Q7.1/22)

The above discussion indicates that the structure and composition of entrepreneur supply networks are concentrated locally. The samples demonstrate that very few of them extend their network with suppliers at the national level and none of them directly network with oversea suppliers. Because they are small in size and operation, many of them establish their network relations with local suppliers.

7.1.6 Other Problems

Other problems confronted by the small food manufacturers include book keeping and accounting, government regulations and general management. These problems are likely to be associated with their lack of experience, low level of formal education and business education, lack of awareness of government procedure and regulations. As a new business community, it is essential for Bumiputera entrepreneurs to be exposed to the other ethnic business communities and share knowledge in many aspects of business with the other ethnic groups which have been established in markets for hundreds of years.

A lot more has to be learnt, not only in aspects of managing the business, such as marketing, production, employee management and other aspects but also the importance of business relations and networks. The solution to these problems is a

reflection of how the Bumiputera entrepreneurs establish, develop and maintain their business networks and relations with numerous individuals in their external business environments.

The above discussion explains that the assistance needed by small scale industries in Malaysia is mainly in the areas of financial loans, technical assistance, marketing assistance, training and extension service, and labour. Finally, the business problems uncovered in this study support the earlier studies in Malaysia (Muhammed, 1988; Malaysia, 1990a; Malaysia, 1990b; Ismail, 1990; Faridah. et. al, 1990, Chamhuri et. al., 1990). Table 7.1. summarises the discussion of problems experienced by Bumiputera entrepreneurs.

TABLE 7.1: PROBLEMS FACED BY SMALL FIRM INDUSTRIES

Types of Problem	Percentage		
	All	Men	Women
Working Capital	50.9	40.6	64.0
Marketing	29.8	21.9	40.0
Employees	29.8	25.0	36.0
Production	28.1	34.4	20.0
Raw Material	15.8	15.6	16.0
Others	26.3	21.9	32.0

7.2 The Structure of Financial Support Networks of Bumiputera Entrepreneurs

The researcher has discussed the problems faced by the Bumiputera entrepreneurs. Financial difficulties are the major problem and seem to be related to other problems. In order to overcome their problems, the small manufacturers seek to network with the social resources in their own localities. By establishing network relations with their social resources they expect to acquire some financial assistance from those groups to support their business activities.

However, in many cases, it is unavoidable for entrepreneurs to invest some of their own money in business activities. Most of the entrepreneurs (91.2 percent) utilised their own savings, especially during the initial stages of their business development.

The percentages of men and women Bumiputera entrepreneurs reported to use their own savings for the business are not much different (Table 7.2).

A substantial difference between men and women business-owners in obtaining financial assistance from their spouse was found. It is reported that 48.0 percent of women entrepreneurs obtained financial support from their spouse; while only 3.1 percent was reported by men. However, the financial support from parents (14.0 percent), family (26.3 percent) and friends (14.0 percent) reported by Bumiputera entrepreneurs were not very much different, where women entrepreneurs demonstrated a slightly higher percentage than men.

Networks with formal institutions such as banks and government agencies are of considerable importance to the Bumiputera food manufacturers. Table 7.2 demonstrated that about 40.0 percent of men and women entrepreneurs network with government agencies in getting their business loans. Of 29.8 percent respondents who obtained their financial support from banks, men entrepreneurs (43.8 percent) recorded a considerably higher percentage than women (12.0 percent).

In the case of men, using their own savings was the most frequent source of finance reported by them followed by bank loans, government agencies, family, friends, parents and spouses. The majority of women entrepreneurs also noted that their own savings are the most important source followed by spouse, government agencies, family, friends, parents and bank loans. The pattern of financial support depicts a difference in support networks. Men entrepreneurs indicate that banks are important networks for their business. However, these network are least manipulated by women manufacturers. In contrast, networks with spouse are considered critical by women entrepreneurs, but are only of marginal importance for men.

However, the general structure of the financial support networks of Bumiputera entrepreneurs are shown in Table 7.2 where the use of own savings are seen as inevitable by the majority of Bumiputera entrepreneurs. A study by Chee (1977) showed the structure of financial support networks used by the Malaysian businesses - the majority of entrepreneurs used their own savings, followed by family, friends, commercial banks and others financial aids (Clapman, 1982).

A study in U.S., by Kaplan (1988) showed that 65 percent of entrepreneurs used their saving in financing their business followed by bank loans (21 percent) and family loans (10 percent). Hisrich and Brush (1987) found that entrepreneurs used personal assets (71 percent) and own savings (37 percent), bank loans (27 percent), spouse

(11 percent), relatives (2 percent) and the government (1 percent). In addition, Dunkelberg et. al. (1987) found that 74 percent of entrepreneurs of growing firms were using personal savings, friends and relatives (30 percent), and financial institutions (43 percent). Price and Monroe (1992) found 48.6 percent of entrepreneurs exploited personal savings, family and relatives (20.1 percent), friends (3.3 percent), government programmes (1.6 percent) and others (18.6 percent).

TABLE 7.2: FINANCIAL SUPPORTS OF MEN AND WOMEN
BUSINESS-OWNERS

Sources of Financial support	Percentage		
	All	Men	Women
Own Saving	91.2	90.6	92.0
Spouse	22.8	3.1	48.0
Parents	14.0	12.5	16.0
Family	26.3	25.0	28.0
Friends	14.0	12.5	16.0
Bankers	29.8	43.8	12.0
Government Agencies	40.4	40.6	40.0

The above findings demonstrate that the majority of the entrepreneurs utilise their personal savings as their number one source of business finance. However, the pattern and structure of use of financial support networks by entrepreneurs from the various studies are slightly different probably due to different samples used, the place, and the timing of the study, as well as cultural aspects. For example, the majority of small Bumiputera business people in Malaysia have a low level of education. This in contrast to the U.S. entrepreneurs who have high levels of education. Generally, they notified the researcher that spouse, family, relatives, friends, banks and government agencies were normally utilised by small Bumiputera manufacturers to obtain financial resources in supporting their business activities.

The discussion of these findings showed that investment of an entrepreneur's own money is necessary during establishment and early stages of the development of small firms (Clapman, 1982). The use of their own money by the majority of Bumiputera

entrepreneurs in financing their business reflects the fact that they have money from their previous jobs. As reported earlier in Table 6.6 in chapter 6, about 80.7 percent of them were experienced in either self-employment or working with government and private agencies. In this case, women entrepreneurs also used their own savings in financing their business. Many of them were involved in or had their own business or worked with private agencies before operating their current business.

Many women reported that they obtained financial support from their husband. As mentioned earlier, some of the women entrepreneurs established their business to supplement their family's income. Their husband is a person in their network circle who is close to them and from whom it is easy to acquire financial aid. In addition, they are likely to feel less risky with a loan from their husband since the benefit from business will also be shared by the family. Therefore, financial support from husbands is common.

On the other hand, Bumiputera entrepreneurs also receive financial support from various personal network sources. They usually obtain loans from informal sources (Birley, 1985) which are close to them, such as their parents, family and friends, to finance the necessary fixed asset and operating expenses (Clapman, 1982). The use of these informal sources emphasizes the importance of close ties in entrepreneurial networks (Johannison, 1986; Aldrich et. al., 1987) during their business activities.

Birley (1985) categorised banks and government agencies as being among the formal sources of help when seeking to raise finance. She found that banks are the sources of finance most frequently quoted by entrepreneurs. This study, however indicates that men entrepreneurs frequently mentioned that they use bank and government agencies as sources of financial support. On the other hand, the women mostly mentioned that networking with government agencies as of considerable importance to them.

The use of banks as sources of finance is risky, as compared to the other sources. The loan process in some banks is complex, where a written business proposal and adequate collateral are necessary. On the other hand, the high incidence of business failure among small businesses; the interest rate for small loans controlled by central bank; and high administrative costs involved in processing and managing business loans inhibit the commercial banks from lending to small business without collateral (Malaysia, 1990a).

Therefore, the commercial banks normally deal with the established and viable businesses. A comment by one of our women entrepreneurs relates to this issue (see Q7.1/2). Those factors turn the Bumiputera entrepreneurs to seek network relations with their personal network sources or with the government agencies who normally charge no interest or minimal administrative cost to cover their administrative expenses.

Bumiputera business women are without business experience, and operate on smaller scales compared to men (see Table 6.10). Many of them deal with traditional confectioneries in order to supplement their family's income. Therefore, their relations with the banks are restricted and they try to avoid the complex procedures and conditions imposed by the bank. On the other hand, men entrepreneurs are more aggressive in their business activities and are keener to face greater risks. However, they have less sources of financial support because not many of their spouses can provide financial aid for the business.

Although they have an extra support source (spouse) and can obtain their loans from other informal networks, women business-owners are still reported to have a higher number of financial problems than men. This demonstrates the pattern of relationships within financial support networks and their implication for both men and women Bumiputera entrepreneurs. The point here is that women business-owners tend to network with informal sources such as spouse, relatives and friends in overcoming their financial problems.

Informal sources are easy to get access to, no procedures are required and they are less risky sources because they normally charge no interest and require no specific period of payment. Unfortunately, these informal support networks can only provide them with small amounts of capital, enough to overcome their short term financial difficulties.

In order to obtain more capital, many entrepreneurs turn to networking with government agencies. The government agencies actually have given responsibilities to develop small businesses, particularly Bumiputera businesses. They are close in terms of their locality with entrepreneurs and are easy to access. Their loan procedures are quite simple, less risky and less complicated compared to the banks. Therefore, the percentage of entrepreneurs reported to be utilising this formal support network in overcoming their financial difficulties is quite high.

The changing pattern of Bumiputera economic activities from agriculture to the commercial sectors as a result of the 'New Economic Policy', has also involved the expansion of the network relations of Bumiputera entrepreneurs with various government agencies. The reason is that some government agencies which deal with agricultural activities are also involved in developing Bumiputera entrepreneurs. Their officers who play the role of developing agricultural sectors are now also performing additional roles in creating Bumiputera business communities among farmers. Muhamed (1988) demonstrated that 54.5 percent of Bumiputera entrepreneurs who undertake businesses were formerly farmers. In this case, the government agencies are actually continuing their social roles which are already embedded in the social relations.

Therefore, many Bumiputera entrepreneurs utilised network relations with those agencies in getting financial support. In addition, the officers from government agencies such as MADA and KEDA usually visit their areas to encourage the network process. Since the network relations are already established and have been developing for quite some time, the entrepreneurs find it more convenient to deal with these agencies.

This discussion demonstrated that the use of social networks by Bumiputera entrepreneurs in their social context to support their business activities is unavoidable. The use of network ties allows small Bumiputera businesses to overcome the financial constraints of their business. Informal support networks are popular sources among Bumiputera, especially women entrepreneurs, and create competition for the formal support sources, especially with the banks. Government agencies are another possible alternative that Bumiputera entrepreneurs can utilise in financing their business activities.

The findings, on the one hand, demonstrate the sources of financial support available for small business-owners within their own social structure. On the other hand, the discussions also demonstrate that entrepreneurship is embedded in a network of continuing relations (Adrich and Zimmer, 1986).

There is an interesting argument by CEDEFOP (1988) regarding the problems and networks of the small firms. They argued that "small firms are loath to admit they have problems until a crisis becomes inevitable so they could derive benefit from regular contact with an outside person who would listen, ask questions and discuss management issues" (p26). The researcher will discuss some findings relating to network issues in turn.

7.3 Sources of Advice and the Information Support Networks of Business-Owners

The study was also concerned with how Bumiputera entrepreneurs utilise their personal networks in obtaining advice and information to support their business activities and the assistance they receive to solve their problems. Entrepreneurs in this case will exploit the opportunities available in their environments to seek assistance from family, friends, government agencies etc. The advice and information which they acquire from their personal networks can contribute to their business development and performance.

It was found that Bumiputera entrepreneurs had utilised different sources of advice and information for their business development. Table 7.3 shows that the majority of entrepreneurial networks are composed of their family members (spouse, parents and relatives) and friends. Spouse, parents and relatives are discussed separately in this study due to fact that these groups provide an interesting explanation of the structure of advice and information support networks.

Firstly, there are "informal networks", which in this discussion will include spouse, parents, relatives and friends. This is a prime group used by the Bumiputera entrepreneurs not only as a source of information or help or advice, but as a source of financial support. It seems that Bumiputera entrepreneurs used friends (89.5 percent) as their sources of advice and information, followed by relatives (65.0 percent), spouse (47.4 percent) and parents (19.3 percent).

However the structure of advice and information support networks varies between men and women entrepreneurs. Women more intensively used their spouse (76.0 percent) and relatives (72.0 percent) as compared with men (25.0 percent and 59.4 percent respectively). On the other hand, more men network with their parents (25.0 percent) and friends (93.8 percent) in getting access to information, and acquiring advice for their business. Women only network with about 12.0 percent and 84.0 percent of parents and friends respectively.

The findings are a reflection of how Bumiputera entrepreneurial networks are utilised in getting access to business information and advice. Informal networks are the most important sources of information and advice reported by both male and female entrepreneurs. An early study by a local researcher also reported that the majority of entrepreneurs gathered their information through friends and relatives (Faridah et. al., 1990). Cooper et. al. (1991) also reported that friends and relatives sources are

heavily used by entrepreneurs as sources of information and help. In addition, using the weighted value, Smeltzer and Fann (1989) rank family as the primary sources of information followed by friends.

TABLE 7.3 : SOURCES OF ADVICE AND INFORMATION SUPPORT NETWORKS AMONG ENTREPRENEURS

Sources	Percentage		
	All	Men	Women
Spouse	47.4	25.0	76.0
Parent	19.3	25.0	12.0
Relative	65.0	59.4	72.0
Friends	89.5	93.8	84.0
Customers	22.8	18.8	28.0
Suppliers	10.6	9.4	12.0
Bankers	3.5	6.2	0.0
Government Agencies	42.0	37.5	48.0
Others	7.0	6.3	8.0

The use of spouses by women business-owners as a source of information and advice are crucial especially for the family business. The majority of women manufacturers concentrate on the production side and leave their spouse to deal with the marketing side. Their husband probably obtains information from the market which later on can be used in improving their business performance. On the other hand, men entrepreneurs normally perform many functions in their business as well as in their family because of their social responsibilities and obligations.

Parents as a source of information and advice are reported to be more widely used by men. The argument reflects the parents background when many men reported that their parent are in business. It is more likely that they acquire information and advice from their parents since they are in similar occupations and are more experienced in business.

The most intensive network groups used by Bumiputera entrepreneurs are friends and relatives. In this case, the Bumiputera culture again plays its part when women have limited access to and are uncomfortable when they deal with strangers (among men). Therefore, they are inclined to network with their relatives or their female friends. This gives an advantage to male entrepreneurs who can network with a diverse range of people outside their family. Their male business friends will normally provide them with valuable information and advice. It is men who dominate most of business and social activities.

The above discussion shows that a similar pattern is found in the sources of information used by the entrepreneurs. Informal networks which involve families and friends are made up of people who are close to the entrepreneurs. Boissevain (1974) argued that it is characteristic of informal networks to be composed of people linked in a variety of ways. Family members and friends as argued by Fillion (1990) maintain multi-dimensional relations through such ties as affection, intellectual relations, sports, recreation and others.

In Bumiputera entrepreneurial networks, informal networks are heavily used. They are easy to access and the network relations have been developing for some time. This is due to social activities which linked people in Bumiputera communities to one another in a variety of ways. In this case, besides the business information obtained from their informal networks, the Bumiputera business-owners also receive financial aid, motivational support, shared affection and so on. The multiplexity of the relationships (Boissevain, 1974) emerge as the relationships develop. This supports the argument that the use of close ties are crucial for Bumiputera businesses.

Secondly, the use of "business partner networks" which include customers and suppliers is inevitable. It was found that more customers (22.8 percent) had been used by Bumiputera entrepreneurs to obtain information and advice than their suppliers (10.6 percent). It is interesting to note that more women were reported to obtain their information and advice from their customers and suppliers.

The "business partner networks" are interesting to observe in more detail on how the entrepreneurs form, develop and maintain relationships. In short, the use of customers and suppliers is a result of the exchange processes between two partners. The next chapter will discuss the networks with customers and suppliers in detail.

Thirdly, bankers and government agencies which I refer to as the "formal institutional networks" also give interesting results. No women entrepreneurs reported that they

used bankers as sources of information or advice, but many of them utilised government agencies.

Again, refer back to the financial support networks of male and female entrepreneurs. It is found that more men obtain their loans from banks, and they use banks as sources of information and advice. In addition, men tend to network more actively with people outside their personal networks especially with those who possess resources. Entrepreneurs will gain many things if they get close to bankers. Cooper et. al. (1991) argue that professional sources, which include bankers, are used for specific functions such as funding, contracting, bookkeeping, and so on.

The heavy use of government agencies is reflected in the structure of social networks of Bumiputera entrepreneurs. This also refers to the propensity for entrepreneurs to network with government agencies, especially by women business-owners. The government agencies which are responsible for developing Bumiputera entrepreneurs are normally easy to access by the entrepreneurs. They sometimes visit the entrepreneurs at their factories. Therefore, as a part of their role, the government agency staff are directly involved with disseminating information and are involved in advisory jobs in developing Bumiputera entrepreneurs.

Faridah et. al. (1990) has also discovered that the third major source of information is government agencies; while bankers are the least used source by Malaysian entrepreneurs. Their findings are reflected in this study, where it was found that many entrepreneurs use government agencies as their sources of information but only a small number of them use bankers.

Finally, there are other networks which comprised books, courses, and trade shows which I then call "public networks" (Cooper et. al, 1991). The "public networks" are not very popular among Bumiputera entrepreneurs probably due to their low levels of education, the smallness of their sales, the cost for a small business or their lack of knowledge about these networks. Cooper et. al. (1991) also found that public sources are not utilised extensively by entrepreneurs. However, the use of public networks as a source of information to some extent is likely to contribute to business performance.

The above discussion once more demonstrates that the process of entrepreneurial networking occurs within a social environment. The ties between Bumiputera entrepreneurs and their contact networks are crucial for their business development. Informal networks again become the major source of information and advice utilised

by entrepreneurs to overcome some of their problems. Information obtained from family and friends explains that the use of strong ties among the Bumiputera entrepreneurs are inevitable. In addition, Bumiputera entrepreneurs also use weak ties with some of their formal and business partner networks in order to gain access to business information.

However, an interesting phenomena of the findings is that Bumiputera entrepreneurs seem to utilise various kinds of networks in getting access to information and advice. The argument is that successful entrepreneurs will always utilise various sources of contacts with people who can provide timely and accurate information as well as correct advice for their business.

7.4 Types of Training Received by Entrepreneurs

The importance of promoting the development of small-scale manufacturing establishments was emphasised in the government's New Economic Policy in 1971 (see Chapter 2). A number of government agencies was involved in providing various types of short courses for small business-owners. The training programmes provided by these agencies are aimed at making businesses more dynamic, innovative and market-oriented (Malaysia, 1991c), as well as finding solutions for their business problems. A study by the Asian Development Bank reported that about 13 government agencies are given responsibility for offering training and apprenticeship programmes to the Bumiputera entrepreneurs (Malaysia, 1990a).

In the northern part of Malaysia, there are a few government agencies which are involved in Bumiputera business development such as MARA, MARDI, KEDA, MADA and so on. The training programmes offered can be categorised into two main modules. Firstly, there are pre-start up modules which normally deal with entrepreneurial development or motivation programmes, and attempt to endow the Bumiputera entrepreneurs with basic entrepreneurial attributes and motivate them in establishing their own business. The entrepreneurs will also be given technical skill as well as the tools for doing a feasibility analysis of their proposed business ventures.

Secondly, there are modules offered to the management of existing business, in which the Bumiputera entrepreneurs will be educated on such subjects as small business management, production management, book keeping, financial management, marketing subjects etc. There are also advanced programmes on technical issues and processing. Those who attend these training programmes will normally receive

certificates which are recognised by financial institutions and assist them in gaining loans for their business.

The important point in this study is to look at how the Bumiputera take advantage of the training programmes to establish and utilise their networks in gaining access to business resources and solve some of their problems. Table 7.4 demonstrates the types of training programmes normally attended by Bumiputera entrepreneurs in northern Malaysia. It was found that the pattern of training programmes participated in by manufacturers was similar among men and women entrepreneurs. However, men entrepreneurs reported a slightly higher attendance compared to women manufacturers in all training programmes.

The modules normally attended by Bumiputera entrepreneurs are on the subjects of motivation, business management, marketing, accounting and finance, and technology and processing. The courses on motivation (34.8 per cent) and technical and processing (31.3 per cent) are popular programmes attended by male Bumiputera entrepreneurs.

The percentages of men attending the business management, marketing, and accounting and finance modules were slightly lower (21.9 per cent) than the earlier programmes. Women also participated in technology and processing (28.0 per cent) and motivation (24.0 per cent) courses. An early study by Chamhuri et.al. (1990) indicates that 24.8 per cent of entrepreneurs in rural areas attend technical training programmes.

About 40.4 per cent of entrepreneurs never attend any training programmes. This finding is slightly lower compared to the study by Chamhuri and his colleagues, where they found that the entrepreneurs without training were about 59.7 per cent of the total. However, about 52.0 per cent of women entrepreneurs do not participate in courses, compared to only 31.3 per cent of men.

On average, men entrepreneurs recorded a higher number of training courses attended (1.69 time) than women (1.57 time). About 68.7 per cent of men participate in at least one training programme compared to only 48.0 per cent of women manufacturers. Table 7.5 summarises the number of training programmes participated in by men and women business-owners.

TABLE 7.4: TYPES OF TRAINING PARTICIPATED BY SMALL FIRM ENTREPRENEURS

Programmes	Percentage		
	All	Men	Women
Motivation	29.8	34.8	24.0
Business Management	19.3	21.9	16.0
Marketing	21.1	21.9	20.0
Accounting/Finance	21.1	21.9	20.0
Technical/Processing	29.8	31.3	28.0

As a minority ethnic business, Bumiputera entrepreneurs need to acquire knowledge and skills to run their businesses (Aldrich and Waldinger, 1990) by attending training programmes. More important, they are brought to a training place with the opportunity to mix among themselves and to create a business culture which can also can boost their confidence in business. They can form and develop their contact networks among themselves during training programmes. If they are really concerned about the importance of the role of social networks among themselves and with trainers or specialist speakers (normally from financial institutions, technical agencies and experienced entrepreneurs who are invited to give talks during the programmes), they can probably solve some of their initial problems.

TABLE 7.5: NUMBER OF TRAININGS PARTICIPATED BY ENTREPRENEURS (PERCENTAGE)

Number of Trainings Participated	Percentage		
	All	Men	Female
None	40.4	31.3	52.0
One	22.8	28.1	16.0
Two	21.1	25.0	16.0
Three	8.8	12.5	4.0
Four	5.3	0.0	12.0
Five	1.8	3.1	0.0

Imagine that, with the number of participants in each class ranging from 20 to 30 people, they not only can enlarge their network size but their network composition, and density. They can also share experiences with their colleagues and utilise them for their business purposes. The more they mix with the other members, the more experience and knowledge they can gain, which can assist them later in overcoming their business problems. The more frequently they attend the courses, the more chances for them to extend their networks. By increasing their network members in training programmes, they probably get greater motivation and confidence as well as easing the process of business establishment. At the same time, they can prepare a pool of contact networks and sources for their business operation tomorrow.

The same applies to those who are already in business while they are attending courses. Traditionally, the programmes they attend are designed to impart to them business knowledge as well as to help them to find solutions to their problems. But more crucial is the possibility of using fellow participants to overcome some of their business difficulties.

Men manufacturers are reported to participate more actively in training programmes supporting this argument. By attending the courses, they are likely to reduce some of their problems, especially the problems associated with social and business resources such as capital shortages, marketing and raw material difficulties. On the other hand, women manufactures have more problems in those areas probably because of limited access to the social and business contacts. This can be seen during training programmes, where they are rather quiet, as compared to the men participants. They reserve their comments and do not really mix well, especially with the men entrepreneurs (researcher's experience). This indicates the way in which the cultural values of women Bumiputera entrepreneurs are brought with them into the training programmes as well as other social relations and activities.

However, the entrepreneurs should be concerned as to how they utilise their training course members in getting access to business resources such as financial institutions, customers and suppliers. Some group members probably have business difficulties which other members have solutions to, because they have probably been confronted with similar problems before. They can exploit these opportunities by employing their colleagues to multiply their contact networks in order to get access to the various resources which are critical for their business.

Bumiputera entrepreneurs are urged to establish and develop networks with government agencies during training programmes. They should realise that these agencies also provide entrepreneurs with financial aid, machines, business premises, business information and business centres. The ties with members in training programmes, as well as those agencies involved are valuable resources for business development and performance. Training is part of the effort to expand entrepreneurial network contacts.

7.5 Network Ties With Organizations

The inclination to be sociable as well as to develop and maintain social networks of contacts is considered essential for the survival of Bumiputera small businesses. Thus, some of them are seeking to establish network ties with particular organizations or clubs. In a study of minority entrepreneurs, associations or clubs of Chinese and Japanese communities in US were found to provide assistance to many of their members, especially on financial matters (Light, 1972).

In this study it was found that 31.6 percent of the Bumiputera entrepreneurs were registered as members of business associations. More than half of men entrepreneurs were reported (53.1 percent) to be members of business associations but only one woman (4.0 percent). The result indicates that men entrepreneurs more actively network among their business community because business associations are represented by various groups of entrepreneurs.

However, about 70.4 percent of Bumiputera entrepreneurs do not belong to any of the associations. The reason probably being that the roles of providing financial support are more actively played by banks or government agencies. As mentioned earlier, financial difficulties are the major problem faced by entrepreneurs. Therefore, they probably tend to network with the organizations which could overcome their financial problems. Business associations also function as information and reference centres, involved in advisory roles related to business procedures and regulations, act as 'mediators' and as complaint centres regarding networks with institutions or businesses.

Men entrepreneurs are inclined to seek networks among themselves by utilising the members of business associations, reflecting their motive of venturing into business. They undertake the business venture for economic reasons due to their social and family responsibilities and obligations. Therefore, in order to help alleviate some of their business problems relating to financial, marketing and raw materials difficulties,

they are more likely to use business associations and its members in avoiding these problems. Women do not actively participate in these kind of networks, reflecting the cultural factors as well as their social roles in the family.

On the other hand, small food industries are based on agricultural products, as inputs to the production, processes of food products such as sauces and spices, breads, traditional confectioneries and so on. As discussed earlier, the government "New Economic Policy" is intended to encourage Bumiputera to participate in various commercial and industrial sectors. The majority of Bumiputera work with the agricultural sectors. Those who are in agriculture are probably more prepared to venture into a business which is related to their experience. They also produce something which the majority of Bumiputera customers will use because their main customers are Bumiputera groups.

In the network perspective, many Bumiputera entrepreneurs have already, before starting up business, established their contact networks with people through directly or indirectly dealing with agricultural activities. Therefore, those entrepreneurs reported joining farmer associations (35.1 percent). Surprisingly, 52.0 percent of women entrepreneurs compared to only 21.7 percent of men belong to farmer associations.

Beside their traditional economic activities, the Bumiputera entrepreneurs are inclined to network with the farmers associations because these associations are more localised and their staff are closer to the communities. In addition, these associations are run by government agencies such as MADA, LPP, RISDA, KEMAS etc. which also provide female staff whose function it is to develop both women farmers and business groups. These agencies not only provide agricultural aids but are also involved in business assistance, including financial, machine, information, training and advisory support. Due to their locality and social functions, many small manufacturers especially women, are keener to be associated with these agencies.

The other associations with which the Bumiputera entrepreneurs have a propensity to network are political, youth and welfare organizations. About 15.6 percent of men manufacturers have been recorded as belonging to youth clubs, while only 8.0 percent are reported by women. The other two associations i.e. welfare and political had about the same number of male and female entrepreneurs. Table 7.6 summarises the network structure of Bumiputera entrepreneurs who participate in various business and social organizations.

TABLE 7.6: MEMBERS OF ORGANIZATIONS REGISTERED BY MALE
AND FEMALE BUSINESS-OWNER

Organization	Percentage		
	All	Men	Female
Business Associations	31.6	53.1	4.0
Farmer Associations	35.1	21.7	52.0
Politics	15.8	15.6	16.0
Youth	12.3	15.6	8.0
Welfare	5.3	6.3	4.0

Table 7.7 demonstrates the number (percentage) of associations where men and women Bumiputera entrepreneurs become members. The results demonstrate that many Bumiputera entrepreneurs belong to at least one association or club. Cromie and Birley (1992) also demonstrated that on average men attend more clubs than women business-owners. In this study, it was found that about 32.0 percent of women and 15.6 of men entrepreneurs did not register with any associations. Only one male manufacturer belonged to as many as four associations. The number of clubs attended by the Bumiputera entrepreneurs demonstrates their propensity to network.

TABLE 7.7: NUMBER (PERCENTAGE) OF ENTREPRENEURS REPORTED
IN ASSOCIATIONS

Number of Association	Percentage		
	All	Men	Women
None	22.8	15.6	32.0
One	63.2	68.8	56.0
Two	12.3	12.5	12.0
Four	1.7	3.1	0.0

The study showed that men entrepreneurs are inclined to network with business associations while women tend to network with farmers associations. This explains the social structure of men and women entrepreneurs. Female entrepreneurs are more likely to use more personal networks as well as more localised network structures. In addition, they tend to network with the people they know and with their own sex.

On the other hand, men entrepreneurs are inclined to be more sociable with social and business people. They are registered as the members of organizations, especially business associations, with the aims of widening their personal networks (such as with friends and acquaintances) and seeking help and support. Additionally, men are likely to use weak and strong ties for their business purposes and tend to network with anybody regardless of sex.

In summary, the above discussion explains the personal networks of Bumiputera entrepreneurs as crucial components for the entrepreneurial process, as entrepreneurs are embedded in their social relations. It was found that family (relatives), government staff and friends are frequently used by the owners to seek help or business support. This study also demonstrated that financial difficulty is a general problem faced by small firms in Malaysia. The majority of the owners reported that they used their own money for the business. The network relations with government agencies and family (including spouse and parents) are important for the entrepreneurs to access financial resources. The use of bankers as a source of financial support is popular among men entrepreneurs. Many business-owners also utilised their relatives and friends in obtaining advice and information about the business.

It was also found that the network ties with government agencies gave entrepreneurs access to the training programmes. However, Bumiputera entrepreneurs are not active participants in business courses. Perhaps this reflects their low level of education, lack of ambition, lack of time, as well as lack of business motivation. It was also found that many Bumiputera entrepreneurs belong to at least one association. Men reported that they are more inclined to become a member of business associations while women network with farmers' associations. In short, the whole discussion explains that the personal networks of Bumiputera entrepreneurs is moulded by the culture and crucial in supporting the development of Bumiputera businesses. In the next chapter, the researcher attempts to discuss the development of networks of relationships between Bumiputera entrepreneurs and their personal networks.

CHAPTER 8

8.0 MANAGEMENT OF ENTREPRENEURIAL NETWORKS OF RELATIONSHIPS

The main purpose of this chapter is to explain the researcher's analysis of the activities relating to the management of networks of relationships which Bumiputera entrepreneurs perform during interactions with their network contacts. It shows that Bumiputera entrepreneurs include their spouse, parents, relatives, friends, government agencies, associations, bankers, customers and suppliers in their personal networks. These networks either directly or indirectly support their business development.

Since networks are not static (Boissevain, 1974; Butler and Hunson, 1988) and they are subject to change over time (Easton and Lundren, 1992), networking with these groups requires a careful and systematic management for the development of business performance. Klein and Milardo (1993) argue that a prosperous and perhaps a very profitable life will result if someone knows how to manage their relationships successfully. Therefore, a model (see Chapter 1 and Chapter 3) has been developed to explore and assemble some knowledge and experience of the management activities of networks of relationships of Bumiputera entrepreneurs in Malaysia.

The fieldwork discussion indicates that networks with those groups initially take place in different forms of activities. For instance, the relationships between parents and children involve obligations to exchange favours (Lande, 1977) at different times. In order to survive, all businesses have compulsory relationships with suppliers and customers to gather resources and market their products (Curran, et. al., 1993). The relationships with friends are more voluntary and joining business associations is probably voluntary to one entrepreneur but compulsory for another because this relation could benefit the business in some way.

Based on the nature of these relationships, the entrepreneur's personal networks are categorised as primary, secondary and tertiary networks. The primary networks comprise those who have had relationships with entrepreneurs for a long time and share many different activities in the entrepreneurs' life, such as with wife, parents, families (relatives) and old friends. Friends who have newly emerged in an

entrepreneur personal network (new friends), plus associations and some government agencies with which the relationships have already existed before the entrepreneur ventures into business, are considered secondary networks. Tertiary networks consist of some of the government agencies, bankers, customers and suppliers that have a direct impact to business performance. The stages in networking management and the categorization of entrepreneurs' personal networks have been discussed with and confirmed by a government officer who has experience in developing Bumiputera businesses.

The model proposed in chapter 1 (figure 1.2) set out an assumption of the managerial activities involved in entrepreneurial networks of relationships. The management of network relationships is divided into four stages i.e. planning, formation, development and maintenance stages. It is found that some management activities of the networks of relationships are absent at certain stages of the model. This is due to the existing social relations in the Bumiputera community. Table 8.1 shows the management stages that are likely to be present (marked X) for particular network groups. In the following discussion, the researcher will analyse the network management activities by entrepreneurs according to the table below.

8.1 Primary Network

The primary network comprises the spouse, parents, families and friends in an entrepreneur's personal network. This kind of network has been embedded in entrepreneurial social relations (Granovetter, 1985; Aldrich and Zimmer, 1986) since the entrepreneur was born (parents and families) and since their childhood or early working life (friends). In addition, the relationships with primary networks are on a personal basis, where they share and exchange many activities. In business, this personal network is argued to be a vehicle which entrepreneurs utilise in exchanging information and acquiring resources (Johannisson, 1988a).

Support given by this group is crucial for the development of an entrepreneur's business performance especially for financial aids at the beginning of business development (see Chapter 7). Some other difficulties faced by Bumiputera entrepreneurs were also solved or reduced by people in the primary networks. The relationships with this network have been embedded in the social relations for some time. Therefore, the planning and formation as well as development stages already existed before the entrepreneurs started their businesses.

These stages emerge at the early age of the entrepreneurs' life. The relationships probably happen unconsciously during social interactions within families and communities due to the roles performed by them. In other words, the absence of the planning, formation and development for primary network people in the business context is due to the social and economic activities which were carried out quite some time ago in the social contexts of the community.

TABLE: 8.1: MANAGEMENT ACTIVITIES INVOLVED IN ENTREPRENEURIAL NETWORKS

Network	Management Stages			
	Plan	Form	Develop	Maintain
Primary -----				
Spouse				X
Parents				X
Families/Relatives				X
Friends				X
Secondary -----				
Friends		X	X.....	X
Associations		X		X
Government Agencies		X	X.....	X
Tertiary -----				
Government Agencies	X	X	X	X
Bankers	X	X	X	X
Customers	X	X	X	X
Suppliers	X	X	X	X

Therefore, the relationships that have already been developed, need to be maintained (Dindia and Canary, 1993). During this stage, Bumiputera entrepreneurs will normally obtain benefits from the relationships (Larson, 1991). The researcher analyses some benefits gathered from these networks as commented on by entrepreneurs:

".....I used my savings in venturing into this business and my husband also provided some money for the business....." (Q8.1/1)

"We started this business when our parents loaned us money. Our brother who stays close to our house also gave financial aid to the business....." (Q8.1/2)

".....My close friend also gives moral support and helps me in technical and marketing aspects. He is well experienced in business..... I know him because we have been friends since our school days." (Q8.1/3)

The above examples demonstrate that the primary network which is implanted and developed over time plays an important role in Bumiputera businesses. Meanwhile, during the maintenance stage, the entrepreneurs gain some benefits such as financial aid, advice and information from their primary networks. These social supports are also explained by some discussions on Chapter 7.

The implication for networking management is that good network relations with primary networks are essential for the development of Bumiputera businesses. In this case, networks and networking seem to be compulsory (Curran et. al., 1993) since Bumiputera entrepreneurs are able to gather some resources from their primary networks. The primary networks not only give financial and moral support, but consist of people who are willing to listen and share problems with them. Our entrepreneurs noted:

".....at one time we made a mistake with processing the sauce which caused damage to products and a loss for the business. My husband and family financially and morally supported the business.....I also discussed with our group members (friends in a women's agricultural group members) and government staff to overcome this problem" (Q8.1/4)

".....some customers did not pay the money after we had sent the products to them. I sought assistance from my father and sisters' in law to collect those debts" (Q8.1/5)

The relationships with primary networks as noted by entrepreneurs are important for supporting business activities and as a place where entrepreneurs can express their problems. Networking with the spouse is inevitable but this kind of network has

begun in the first place, in a different situation, where the husband or wife perform their own roles in the family. This relationship however later becomes crucial for business development, especially in the case of women entrepreneurs. Women entrepreneurs, as discussed earlier, utilise their husband on many occasions for their business development. However, the purpose of their participation in the business sector is to contribute extra income to the family. In a study by Firth (1966), she argues that Malay women assist their husband in gaining income for the family.

A relationship with parents as well as families is inevitable and is embedded in the social context. Parents usually not only take care of their children, but encourage their children to be successful in their life. As the children grow older they will have to accept social responsibilities and obligations. A business venture is one of many situations where the support from spouse, parents and relatives will have a huge motivational impact.

The fact that more than half of the entrepreneurs' parents are in business explains that the role models are crucial in influencing the Bumiputera people venturing into business sectors. These entrepreneurs grow up within their parents environment and are orientated towards a business culture. This not only motivates them to join business but to establish and develop relationships with the business people within their family's economic circle.

On the other hand, not many of their friends whom they network with can be a role model because those friends are not involved in business. The Bumiputera community arguably has a lack of business culture, their business community is just developing. However, the increased number of Bumiputera people in the business sectors is a good sign for Bumiputera business, creating a network pool for their future business development. Johannisson (1987a) argues that the entrepreneurs' personal network supplies him or her with resources which the emerging business has not yet had time to accumulate.

Lastly, primary networks are important for the Bumiputera businesses, especially during the early stages of business development and when facing crucial problems which are likely to affect their business venture adversely. Networks are argued to be an entrepreneur's most valuable asset for acquiring influence in the socio-political environment (Johannisson, 1988a). In this case, Bumiputera entrepreneurs are expected to keep their relationships with the primary network groups in a satisfactory condition and maintain the stability of the relationships.

8.2 Secondary Network

An entrepreneur also attempts to network with 'friends', associations and government agencies. These relationships probably started with voluntary aspects (Lande, 1977) which later became compulsory (Curran et. al., 1993) for business purposes. Networking with these groups is quite complicated and some relationships have already existed in a social context.

Friends in secondary networks are referred to as the people whom entrepreneurs have established relationships with just before or after they venture into business activities. These friends are also involved in business. In addition, they are new in the entrepreneurs' life and live in various localities. The relationships with these friends are normally unplanned and are due to spontaneous business activities or because they are similar in interest.

In addition, the associations which Bumiputera entrepreneurs belong to have close links with some of the government agencies. Some entrepreneurs are required to become members of certain farmer or business associations in order to get facilities from those agencies. Some government agencies also provide staff to manage the associations in helping and developing the Bumiputera community to improve their economic activities. Our entrepreneurs noted:

"I started business under "Kumpulan Peladang Wanita" (Woman's Agriculture Group) with the help of a local farmer's association. Our business activities have been supervised by government staff. She assisted us in many things, especially during the early days of the business including obtaining financial aid for our association. I did not plan at the beginning to be a member of this group. But I joined them (the association) when government staff visited us and informed us about the benefit we could get from the group's activities..." (Q8.2/1)

The relationships between these associations and government's agencies are unavoidable since their interests overlap. The former are more voluntary in their roles while the latter are given responsibility by the government to develop Bumiputera entrepreneurs in small and medium scale commercial and industrial enterprises. Friends are involved in supporting associations on a voluntary basis while government staff are obliged to carry out the responsibilities of supervising and working closely with associations for the benefit of entrepreneurs. The relationships between friends, government agencies and associations seem to overlap in this situation.

The implication for the entrepreneurial networks is that by forming the relationship with associations, entrepreneurs also established and extend their network relations, size and activities with government staff. Networks with these groups are normally initiated with social or agricultural activities before entrepreneurs start their own business. On the other hand, some government staff approach and offer some service to entrepreneurs such as training courses, advice, and information.

The above discussion in some ways explains the social networks of Bumiputera communities and demonstrates the absence of a planning stage in the management of these networks of relationships (see Q8.2/1). This is a reflection of the social relations which are embedded in an entrepreneur's social context due to the early activities of entrepreneurs. To some entrepreneurs, the formation stage already existed before they started their business. To others, the formation stage may unintentionally occur during business activities. On the other hand, the development and maintenance stages of entrepreneurial networks seem to emerge during interactions, but their boundary is unclear. Even so, the activities during interaction between entrepreneurs and secondary networks support the existence of development and maintenance stages.

8.2.1 Formation Stage

The formation of networks of relationships happens when entrepreneurs first meet the secondary network members. For instance, the relationship with an association and government agency is formed when an entrepreneur registers as a member of that association. On the other hand, entrepreneurs normally establish relationships with strangers or acquaintances who later become their friends while they are attending courses, participate in association activities or market places especially during the early age of their business. Our entrepreneurs noted:

".... Before I ventured into this business, I learned from MARDI how to produce sauce. I attended a training programme that offered me technology which enabled me to produce this product. I met many new friends there who are also interested in operating their own business." (Q8.2/2)

"I was approached by a government officer. He offered me a short course on business management and told me the benefit I could get from that course. I found that the course was in some ways good for me. But more importantly, I had a chance to meet many new friends who are also in business. We have discussed many aspects of business and have exchanged experiences amongst ourselves." (Q8.2/3)

When attending the training courses, entrepreneurs also form relationships with government staff. In addition, the other social programmes such as youth, political and agriculture group activities also become a meeting point in establishing the entrepreneurial networks. Our entrepreneurs commented:

"I am also a member of a political party. I meet many friends, some of whom also do business. A few of my friends in this political group have become my customers" (Q8.2/4)

"I knew this friend when I was active in a youth club. He did not live in the same locality as me. I discovered that he was also interested in starting his own business. The officers in the Youth Department also encourage us to venture into business. So they sent us for a training course which taught us how to start-up a business" (Q8.2/5)

Some activities in the formation stage take place in exhibition centres or market areas. The information about these places is gathered by entrepreneurs from friends or government staff. These market places can provide a wide range of network relations among entrepreneurs. Two of our entrepreneurs commented:

"I know that some government agencies are doing business exhibitions for people in small business like me. I am involved in many of their business exhibitions. My idea is to meet and tell people about my products" (Q8.2/6)

"My husband and I sell this product in a few places such as a "weekly market and night market." Yes, we meet many friends there....." (Q8.2/7)

The researcher has experience of giving training courses to entrepreneurs where they are encouraged to know each other and share some of their experiences in managing their business. This can directly enlarge the entrepreneurs network base. A few entrepreneurs continued to contact us in order to get some advice and help in solving their business problems, particularly problems related to bookkeeping, marketing and preparation of business plans. Intentionally or not, they utilise their network of relationships which are formed and developed during the course. In addition, they also establish relationships with sponsor agencies and amongst themselves in the classroom. Some training courses have been offered to them, attendance at which is a condition for obtaining aid from government agencies.

The government agencies such as MARA, MARDI, MADA, KEDA play the function of motivating and assisting Bumiputera entrepreneurs and designing the programmes which provide a base for entrepreneurs to network with those agencies as well as their friends in business. Market places are usually created by government agencies

as strategic points where entrepreneurs normally network among themselves. Through some observations of the "Weekly Market", "Night Market" and "Agric Market" I found that the traders usually interact among themselves and share many different activities. The market places provided them with a huge network pool among the business communities.

Networking with the group members in a particular locality is quite popular among women entrepreneurs, especially referring to women's agricultural groups. One of the reasons is that they feel more confident working in a group with constant help and motivation by government staff. Another reason is because the government staff usually visit their place and are easy to access for discussions.

This is not to ignore some other occasions which entrepreneurs may use as a base to form their network relations, such as association activities. In fact, many other places in which entrepreneurs are expected to form their network relations including wedding feasts, community activities, and religious festivals. However, these occasions were not mentioned by them. This reflects the fact that the entrepreneurs are more keen to network with those who have similar interests (business-persons) or can support their business activities (government agencies). However, not many of the Bumiputera people are in business. The lack of business community and culture could limit their business development.

8.2.2 Development Stage

One of the major problem in analysing social networks is the setting up of boundaries (Scott, 1991) between the stages. The discussions with Bumiputera entrepreneurs did not reveal a clear boundary between development and maintenance stages for secondary networks. However, the activities performed by entrepreneurs would explain the existence of the two stages.

In the early interaction, entrepreneurs try to understand their personal relationships with friends as well as formal relationships with government staff. Each group is new to each other. The development of relationships, involves learning and understanding the character of their new network members. In addition, entrepreneurs also need to understand the rules and procedure of government agencies. The interaction at the early stage represents the development process of entrepreneurial networks. Comments from entrepreneurs provide some arguments about the development stage.

"..... I knew them (members of a women's agricultural group) before I joined this group, as acquaintances, since they live not far from my place. When we are in this group, we become closer. We understand our group members and cooperate in our work. When we have problems we discuss in a group our relationship with her (the Government's staff member) is very good and we meet almost every month. " (Q8.2/8)

"I know a friend who comes from a different village, whom I met in a training course. Then after the training course we kept in contact because he promised to market my products. He has now become my close friend. We discussed many things to develop our business." (Q8.2/9)

".... in the beginning, the relationship with my friend was not as close as it is today. I met him many times in the market place and later our relationship became close. Since then we visit each other when we are free." (Q8.2/10)

The above quotations explain how the development stage emerges and grows. Some network members already know each other as acquaintances due to the social relations in the Bumiputera communities. Since they belong to the same group, they have chances to interact and learn each other's personalities and characters.

Additionally, the frequency of interactions, especially in the market areas as well as in the training courses and group activities provide knowledge about the entrepreneurs' friends. The more they interact, the more knowledge they have about the secondary network's members. Moreover, the development stage grows to maturity as the interaction and exchanges increase and the relationships with the network members at this stage need to be maintained.

8.2.3 Maintenance stage

In the maintenance stage, the relationships between entrepreneurs and the secondary network members become closer. The activities such as exchanges of business information, conversations, humour, happiness, and visits, are normally shared by both parties. In this case, network relations become multidimensional and complicated. Benefits are also gained during interactions. Here are some comments from entrepreneurs:

"This government agency has given financial aid and facilities for the development of my business. I normally discuss my business with their staff. The staff sometimes give good advice and business information for me. I think I need to maintain a good relationship with this agency." (Q8.2/11)

"My friend in our group lent me some money for the business. She also encourages me to be active in business. As a group, we normally discuss business matters, business problems and support each other." (Q8.2/12)

The discussion with entrepreneurs demonstrated that government agencies and friends continuously support the development of Bumiputera entrepreneurs. Some government agencies provide female staff to assist female entrepreneurs. It was found that the government agencies contributed the highest percentage of financial aid, while, many friends provided information and advice to entrepreneurs (see Chapter 7). The support such as finance and information as well as shared experience and advice contributed by these secondary network members would lead to business performance and development.

Training programmes and market places seem to be good points for the entrepreneurs to establish and enlarge their personal as well as formal networks. The question here is the ability of the entrepreneurs to plan and mobilise these meeting places and extend their network base. Additionally, networks with other business communities are inevitable, especially with Chinese entrepreneurs due to the fact that the Chinese community have larger and more valuable business networks.

The relationships with the secondary networks in some way can be properly planned by entrepreneurs. However, they seem to neglect these social resources due to their low level of education and lack of awareness about the importance of these social resources. They are unaware that they have huge social resources surrounding them which can be tapped for their business development. If these are properly charted and mobilised, some of their business problems could once again be reduced.

The above discussion explains that the changing relationship between entrepreneurs and their secondary network is a continuous process. The relationships begin as weak ties, simple and voluntary, and slowly develop into strong ties, which are multidimensional and compulsory. Since they are not stable, the task of entrepreneurs is to develop and maintain those relationships in a stable and good condition due to the essential nature of their function for business development. Entrepreneurs can learn to maintain these relationships by gathering information about network members and in understanding their personalities, attitudes and behaviours.

8.3 Tertiary network

Tertiary networks include some of the government agencies, bankers, customers and suppliers (Table 8.1). Government agencies are discussed again here due to the fact that some of them function differently from the others which are discussed in the section about secondary networks. In secondary networks, the government agencies start to network with entrepreneurs as the result of agriculture or social activities. In tertiary networks, the government agencies such as MARA, SEDC, MIDF, Pernas Distribution etc. (Malaysia, 1990a) playing their part in creating and developing a Bumiputera business community.

Entrepreneurs who have established their business as their primary economic activity, usually plan to interact with these agencies especially in getting financial aid. These government agencies and the banks provide entrepreneurs with financial support which could pose an impact on the business performance. These institutions will also be known as credit agencies in the discussion. Networks with the people in these agencies are bound to some commitment with those institutions (e.g. loans). The common sense presumption is that the behaviour and activities of the entrepreneurs are unlikely to be dissimilar when they are committed to certain responsibilities and obligations.

Networks were also argued to be relationships (Easton, 1992). The relationships between entrepreneurs and customers and suppliers are indispensable. For the small firms, Johannisson (1988a) argues that its networks are intimately related to the supplier and customer relationships. Our entrepreneurs also emphasised the significance of these relationships. The aggregations of relationships, therefore, produce network ties among entrepreneurs and their business partners. In this case, Easton argues that "relationships are important in determining network properties and a knowledge of their behaviour has important implications for understanding networks." (pp. 8).

In this case entrepreneurs should understand the personalities and behaviour of their business partners as well as their business procedures. By getting to know partners more intimately and having good business relationships with them, perhaps this will reduce cost and increase sales (Nelson, 1989; Larson, 1991; Easton 1993) as well as minimising their problems. On the other hand, Hagg and Johanson argue that a good relationship between firms 'allows for a more effective acquisition of resources and sale of products' (Easton, 1992).

In this case, the acquisition of the resources refers to the entrepreneur's relationships with suppliers (raw materials), credit agencies (financial resources); and sales of products to customers. Acquisition of the resources and sale of the products are the main goals for the initiation of the network process between entrepreneurs and their business counterparts or partners (suppliers and customers). Networks with these groups are more formal and crucial for the development of an entrepreneur's business. Therefore, a good management of networks of relationships with tertiary networks is essential. In this case, the relationships with the network members of tertiary networks are expected to provide interesting knowledge and understanding of the stages in the model.

8.3.1 Planning Stage

In general, planning refers to the process as the establishment of goals and the searching for suitable courses of action in achieving those goals (Stoner and Freeman, 1992). It is considered crucial for management and business success. Without plans, entrepreneurs do not know how to organise business resources and have little chance of achieving their business goals. In the social network perspective, the planning process of network relations will later lead to the formation of relationships (Berger, 1993). Berger also stressed that plans in relationships are used by persons to attain their goals.

A. Goals

'To sell the products' and 'to obtain the resources' will lead to the establishment of the relationship between two firms. These goals will lead to the planning of network activities. The behaviour of the entrepreneurs will be determined by the goals which provide the direction for business success. The researcher closely analysed comments by our entrepreneurs:

".....it is not a problem to produce the products but the important thing in business is to sell the products. Customers (shop-owners) are very important in my business because they are the groups who will buy and sell my products to their customers. If they do not want to sell the products, my business will be in trouble. Therefore, my aim is to establish good relationships with customers. This is important if we want to be successful in our business." (Q8.3/1)

"At the early stage of my business, I got a supply of flour from a supplier in Thailand. He had a good quality of flour. When the authorities enforce the import regulations, I have to get the flour from local shops. I found that none of the flour at local shops was suitable for the product that I wanted to produce. To avoid this problem, I got the rice from my friend's factory and manufactured my own flour.

I used to modify the machine for the purpose of flour production. Temporarily, my problem seemed to be settled. However, it consumed my time and man power.It is not easy to find and establish a relationship with a good supplier. Fortunately, my friend (a rice miller) told me about one of his Chinese customers who produced the same quality of flour. Then I met that Chinese and discussed business with him. After a few transaction the relationship got stronger. He is now a supplier for my factory. " (Q8.3/2)

"I need more money to expand my business. I know from friends that government agency provided a business loan to the small Bumiputera entrepreneurs. I would like to have a relationship with this agency. Therefore, I got close to their staff....." (Q8.3/3).

Obviously, the Bumiputera entrepreneurs are concerned about the importance of a good network of relationships with customers. Their main goal in having relationships with the customers is to sell products. On the other hand, entrepreneurs need to network with suppliers to acquire the raw materials for the business activities. Their aim is to obtain suitable materials to produce quality products. If they use the wrong materials, they are likely to produce dissimilar products in term of taste, form or durability. In this case, entrepreneurs are required not only to understand 'know-how', but 'know-who' can secure them the correct materials at a good price.

Furthermore, only 29.8 percent and 40.4 percent of entrepreneurs obtained loans from banks and government agencies respectively (see Table 7.1). As many entrepreneurs have difficulties with working capital, some of them considered acquiring financial aid from government agencies or banks to support and extend their business activities. They actually planned to establish relationships with these groups, in order to acquire some financial aid.

Goals are a part of planning. they provide a sense of direction and focussed effort (Stoner and Freeman, 1992) in the activities which are directed towards furthering their business relationships. Sale of products to customers and acquisition of raw materials from suppliers are important network activities (Hakansson and Johanson, 1992), as are the obtaining of financial aid from credit agencies. Hakansson and Johanson argue that "actors are goal oriented. the general goals of the actors are to increase their control over the network. that control can be used to achieve other goals. Through their direct or indirect control, resources can be mobilised for other purposes" (pp. 29).

Actors, they refer to as those who control activities and resources. Therefore, in this case, Bumiputera entrepreneurs are the actors who either intentionally or not, plan

their networking activities in order to achieve business goals as well as network purposes. As businesses develop, they are likely to assert control over their business networks. Therefore, they need to plan network strategies to gaining access to and take control of customers and suppliers.

B. Information About Tertiary Networks.

It was seen in Chapter 7 that Bumiputera entrepreneurs were utilising informal networks such as friends and relatives in gathering most of their information as well as seeking advice. Some of them obtained market information before operating their business. Market surveying is a step in the marketing strategy (Fry, 1993) which can support a business plan and later benefit the business venture. This strategy has been used by Bumiputera entrepreneurs to study the most suitable location for a business. However, this activity indirectly develops a customer base network and multidimensional network among the customers.

"..... I took a few days doing a rough survey on how many cars pass up and down this road and found a huge number of people using this road. I thought I could sell something for them to eat or bring home. Then I started this business here. I developed a few shop unitsThen customers started to come here with their family and friends....." (Q8.3/4)

Some entrepreneurs are more specific in getting information on existing products and prices before they develop their networks with customers. They also obtain the prices and quality of raw material from suppliers. However, whether they realise it or not they have established contact before they have business networks with these tertiary network's groups.

"I started this business about 20 years ago. At this time competition already existed and I found a number of similar products in the market. It was not easy for the shop owners to sell our products because he already had a similar kind of product. I needed to find out from the shops whether they had similar products to what I was trying to sell. I also gathered the prices and quality of the existing products from local shops. In planning my contact networks with them I had to use my own strategy. In the first meeting I was a stranger to them and usually introduced myself as a customer. I bought something from their shops and talked with them about anything of interest to them. After a few visits, they were friendly toward me, I started to introduce my products to them. They seemed happy to sell the products at their shop" (Q8.3/5)

"In order to gain access to suppliers we must plan in the mind and get the information about the price, quality and availability of the goods we need. I personally obtained this information through direct contact with suppliers. Then I compared the information given by them before purchasing the goods." (Q8.3/6)

Bumiputera entrepreneurs gather the information about their tertiary network (Q8.3/5 and Q8.3/6) through the social and entrepreneurial networks which are embedded in their social relations (Granovetter, 1985; Zimmer and Aldrich, 1986). The utilisation of personal networks by entrepreneurs refers to the use of people such as relatives, friends and government agencies - reflecting the early findings in Chapter 7.

"I have no experience in business and no knowledge about suppliers. So, a government's staff told me where I can get the right materials and good prices....." (Q8.3/7)

"I got the information about the contract through a newspaper. I sent my tender to the particular office in Kuala Lumpur.....Then the office in Kuala Lumpur offered me a contract to supply my products to customers in Alor Setar" (Q8.3/8)

In addition, public networks (Cooper et. al, 1989) such as newspapers are also used by the Bumiputera entrepreneurs in obtaining information and getting a contract. However, the use of this network is limited.

It was found that about 43.9 percent of entrepreneurs used business cards and 61.4 percent kept log books of contact networks. Of that percentage, men are more planning and network oriented compared to women (Table 8.2). This shows the seriousness of men in the development of their business, and mirrors their obligations and social responsibilities. In addition, this also indicates the lack of knowledge and awareness among Bumiputera entrepreneurs about the importance of social resources. It is important to have a business card and keep a log book of the contacts a person has, for future contacts and references (Heald, 1983).

Table 8.2: BUSINESS CARD AND LOG BOOK OF MEN AND WOMEN
BUSINESS-OWNERS

	Total (N=57)	Men (N=32)	Women (N=25)
	%	%	%
Business Card	43.6 (25)	59.4 (19)	24.0 (6)
Log Book	61.4 (35)	81.2 (26)	24.0 (6)

Nutt (1984) argues that the search for information is a step in the planning process. This job is easy if entrepreneurs keep the name of their contact networks or network resources in proper planning. The cases again demonstrate that the entrepreneurs not only gather market information but perform some network activities (Hakansson and Johanson, 1992) in winning control (Hakansson, 1992) of their prospective customers, suppliers and creditors.

C. Gaining Access To The Tertiary Networks

Entrepreneurs actually planned in their mind how to form relationships with their tertiary networks. In other words, these are the planning activities informally or unconsciously formulated by the entrepreneurs in achieving the earlier goals. The problems may arise due to a lack of experience in business, lack of interpersonal skills, lack of self confidence, lack of information and so on. Therefore, some of them utilise their personal networks in gaining access to the tertiary network groups.

As a new developing business community, Bumiputera entrepreneurs experience many business problems including access to money, markets, raw materials and technology, which on closer examination are to some extent reflected in network issues. They did not have much experience in business as well as getting access to the customers. Many of them used exhibitions, government agencies as well as local markets to seek networks with customers.

"I did not have experience in business but I always observed and learned from what other people had done.....I bring products to business exhibitions. I also went to introduce the products to the government departments and was actively involved in selling in the 'agric. market, night market and weekly market'. I was doing this with the idea of telling people about the products and to seek to network with customers....." (Q8.3/9).

Again, market places, as discussed in secondary networks, are now used by the Bumiputera entrepreneurs as a meeting point for planning networks with customers and as a point for forming networks with customers as well. In addition, they not only sell their products but create awareness of their products. Moreover, some of them have created a network chain during their previous business activities. This network chain is then exploited by the entrepreneurs in planning networks for the present business. An entrepreneur argued:

"Before I started this business, I was involved in selling clothes from house to house. During that selling I expressed the idea to my customers that they could help me to market the products at their place. Many of them agreed to sell the products." (Q8.3/10)

Since the Bumiputera entrepreneurs are new to businesses, their market and business networks among themselves are limited. In this case, they will exploit the available opportunities to push their products by creating awareness and generating interest (Prus, 1989). They use whatever strategies they think practical to promote their sales. On the other hand, some elements of planning in forming relationships with suppliers and credit agencies also appear in the discussion. Our entrepreneurs noted:

"I normally identify what I need for the business before I go to meet suppliers. The next day I go to the shop with my husband. We surveyed a few shops in order to get the best quality and low priced inputs. We usually purchase the raw materials straight away if we agree with the price and quality of the materials. By personally contacting suppliers, we can check the quality of goods and the price." (Q8.3/11)

"I got information about suppliers through friends and a phone directory. I listed their names and addresses - most of them live in Penang - and a week after that I personally contacted them. I felt confident and more satisfied contacting them myself because I was the operator of the business." (Q8.3/12)

On the other hand, our entrepreneurs also reported that they take about a week to contact credit agencies when they plan to acquire financial support from these agencies. Before they meet credit officers, they are normally prepared with a knowledge of their business. In addition, the officer also visits their factory to get some information about the business.

"I met the bank officer a week after I met him in a seminar. Before meeting him, I have to prepare some important documents related to my business in order to impress the bank. When I met them, I had a discussion with them on the progress of my business, the amount of the loan required, payment system, collateral to secure the loan..... After two months the bank officers visited my factory to get more information regarding my business operation. Then two months later the bank had approved the loan." (Q8.3/13)

This discussion illustrates the relationship between goals, information and establishing the networks of relationships between entrepreneurs and tertiary networks. The objective in networking with tertiary network groups is to acquire resources (raw materials or financial resources) and sale of the products. It is essential for the entrepreneurs to chart their personal networks in order to be effective in planning and utilising their networks. Aldrich et. al. (1989) argue that to chart the present network and to gain access to a network's activities are the two major activities in

planning and monitoring networks. The following discussion explains some strategies and activities performed by Bumiputera entrepreneurs in gaining access to the tertiary network.

8.3.2 Formation Stage

In an ordinary planning process, implementation is the final stage of planning (Nutt, 1985; Stooner and Freeman, 1992). In networks of relationships, the implementation of planning programmes refers to the formation stage. The exchange of activities may be immediately formed or may take place in the future. Entrepreneurs, will gather information about their customers, suppliers and creditors, and then establish the network of relationships with these groups.

The formation stage refers to the first contact and the first economic exchange between entrepreneurs and the tertiary network. Many cases show that entrepreneurs are more comfortable with contacting and forming relationships with customers, suppliers or credit agencies personally. However, the entrepreneurs also utilise their personal networks in bridging (Smith and Laage-Helman, 1992) them with the tertiary network groups. The use of bridges is mentioned by Aldrich et. al. (1990), who means a person who acts as broker or intermediary which links the entrepreneurs with the tertiary network groups. Nelson (1989) in his study on female business owners referred to this type of bridging as weak ties.

A. Formation of Relationships With Customers

Various strategies are planned by the entrepreneur in approaching customers. They may contact personally or use intermediaries in gaining access to the customers. It is found that all males personally contact the customers while 96.5 percent of women do the same. The result explains why direct selling is popular among the Bumiputera entrepreneurs (Table 8.3).

They mentioned a variety of reasons why they prefer to contact customers personally such as it was easy, saved time, and saved cost. The researcher quoted some comments by our entrepreneurs.

"I feel more confident contacting customers personally where I believe that I can give the best service to them. At the same time, I know them better and gather comments on the products. I feel that this is the easiest way and more convenient."
(Q8.3/14)

"I do small and simple business. Why should I use others to get access to the customers if it is a thing that I can do myself. Using other people is time consuming and costly....." (Q8.3/15)

TABLE 8.3: FORMING NETWORK RELATIONS WITH CUSTOMERS

Network through	Total	Percentage	
		Male	Female
Own Contacts	96.5	100	92.0
Spouse	26.3	6.3	52.0
Families	42.1	43.6	40.0
Friends	68.4	65.6	72.0
Government Agencies	26.3	21.2	32.0
Customers Approach	43.9	46.9	40.0
Customers	24.6	15.6	36.0

Bumiputera entrepreneurs are more comfortable contacting their customers personally because they can provide better service and get closer to the customers. In addition, they need to respond to the needs of their customers and get feedback on the products immediately. With this, they can stay competitive in the markets. Some of them found it easy to deal with customers personally especially those customers with whom the contact networks are already developed.

"I worked with my father in a similar business before venturing into my own business. I was not worrying about customers because I knew them before and had good contact networks with them. When I started the business, some of them got the products from me. I feel it easy to deal with the customers when I know them....." (Q8.3/16)

It is men again who were found to be more personally active in contacting their customers - reflecting the earlier discussion in chapter 7. Men are more committed to providing income for the family. This reflects their obligations and social responsibilities. On the other hand, women contributed extra economic support to the family. Those women who are venturing into business also played their role as a housewife. Therefore, they have limited time for the business. The early findings have explained this issue (see Table 6.14 Chapter 6).

On the other hand, many women get support from their husband in distributing their products. It was reported that about 52.0 percent of women utilised their husband in marketing their products. Of that percentage, about 32.0 percent of women mentioned their spouse working together with them. In contrast, only two men reported that their wife also helped them in contacting the customers.

"....we started with a very small business and the demand for our product was very encouraging. Year by year the demand increased and the business expanded. my husband plays an important part in contacting customers." (Q8.3/17)

On the other hand, friends are considered the most common network group exploited by the men (65.6 percent) and women (72.0 percent) business-owners as intermediaries or introducers to the customers. Friends in both primary and secondary networks are utilised for this purpose. In addition, 43.6 percent of males used their families as brokers and 40.0 percent was reported by women. The researcher quoted two examples from the discussion:

"I can't merely rely on the shop-owners to sell the product, as many people do. My strategy is to use as many friends as agents in doing the selling of the product at their locality. I will contact my friends wherever they live and ask them to become my agents..... Friends also introduced me to their friends who are interested in being my agents." (Q8.3 18)

"..... I plan a strategy with my uncle to use local people as a proxy for networking with the local shops. We hired someone and gave him an empty bottle with the brand and address on that bottle. This person will go to a few local shops around the area which he is familiar with, and the shop owners, of course, know him as their customer. What he should do is to ask the shop owners and pretend to buy products similar to the bottle that he brings. Then you know what happens? Certainly the seller does not have that product's brand. Then after three or four days I go to those particular shops and sell this product to them. It is encouraging. They are welcoming and I found this strategy is very effective in contacting customers." (Q8.3/19)

Entrepreneurs can also be creative for searching possible networks or intermediaries to gain access to customers. In this case, a unique and valuable strategy was demonstrated by one of our successful entrepreneurs. Through his uncle, he contacts local people as a proxy in forming networks with his customers (shop-owners).

In other words, small businesses used a simple strategy which is practical and reliable in their area. Using local people is considered important because local people can initiate the selling activities of the products to local shop-owners as well as to the

local communities. This strategy, even though it looks simple, has a great impact on business performance.

On the other hand, government agencies are again utilised by women (32.0 percent) more than men (21.2 percent). This is reflected in the women's agriculture group and associations as we discussed in the secondary networks. One of our entrepreneurs noted:

"..... the officers from these agencies also help to introduce me to potential customers. They also took a few samples of the products to display at their exhibition shops. When there are any exhibitions related to their activities, they will also bring the products for that particular exhibition....." (Q8.3/20)

In addition, the customers also make an effort to approach the entrepreneurs. It was reported that about 46.9 percent of men and 40.0 percent of women were approached by the customers. The demands especially for traditional confectioneries during 'Hari Raya Aidil Fitri and Aidil Adha' were reported to be increased because of this contact network. Two of our entrepreneurs argued:

".....demand for our products usually increases, especially during 'Hari Raya'. During that time we need more workers. We work from the morning till night. Customers approach us and make orders. Some of them are regular, and some are new customers....." (Q8.3/21)

"Some customers approach me to become my agents. I sell to them big volumes. They then pack the product in small packages using their own brand and market the products in whatever places they like. In a few places my agents compete with each others, but you know, I am not losing anything because their products are my products too." (Q8.3 22)

On some occasions, customers also help in contacting other customers. This is where entrepreneurs have a good relationship with existing customers. Women have reported around 36.0 percent of their customers helped in introducing them to their potential customers, while only 15.6 percent were recorded by men.

The discussion explains how entrepreneurs have used their personal networks as a bridge in getting access to the customers. There is not much difference between men and women - except many women utilise their husbands to connect to customer networks. Friends are frequently used by men for bridging them to customers followed by families, government agencies, other customers and spouse. On the other hand, women were more likely to use friends followed by spouses, families,

customers and government agencies. Again, the researcher found that the roles of friends and families are critical in the development of Bumiputera business activities.

B. Formation of Relationships With Suppliers

In the case of suppliers, the researcher found that all men and women personally contacted their suppliers (Table 8.4). They are reported to find it easier and are more confident in contacting suppliers personally. In addition, they can also save time and get the right quality and price for raw materials.

"By contacting suppliers personally we can check and choose the quality of materials as well as the price. Our job is easier and more effective." (Q8.3/23)

"I feel it is convenient, it increases my confidence and saves time when I personally discuss things with suppliers. It is important to understand our suppliers because we are going to do business for a long time." (Q8.3/24)

TABLE 8.4: FORMING NETWORK RELATIONS WITH SUPPLIERS

Network through	Percentage		
	Total	Male	Female
Own contacts	100.0	100.0	100.0
Spouse	21.1	-	21.1
Relatives	15.8	15.6	16.0
Friends	31.6	34.4	28.0
Customers	8.8	3.1	16.0
Government agencies	8.8	6.3	12.0
Suppliers approach	29.8	28.1	32.0

By contacting suppliers personally, entrepreneurs also find it more convenient and attempt to understand their suppliers for future business purposes. Timing in business is important. Delay in acquiring materials can lead to a delay in production and later affect the market networks. Therefore, entrepreneurs prefer to contact their suppliers personally whenever this is required.

This finding has confirmed the embeddedness theory where the contacts with suppliers are based on social relations due to the experience and history of the entrepreneurs. Two of the respondents commented:

"I knew where the suppliers were before operating this business because I worked in a similar industry before. When I needed the materials I contacted them immediately by phone and the next day I went to discuss business with them." (Q8.3/25)

"I grew up in this place. So I knew all the local shops here and what they sell. Their price is not too much different when compared to the big suppliers in town. Therefore, it is easy and convenient to get materials from local shops." (Q8.3/26)

The social relations which exist in the locality as well as former workplaces not only provide information about the materials and suppliers but help to make the contact and transactions easier and more comfortable. It is easy to talk to someone you know especially when the relationships already exist.

In a few cases, entrepreneurs also use their personal networks as intermediaries or introducers, which give access to the suppliers. Spouse, relatives, friends, government agencies and customers are among the personal networks utilised by the business-owners in this case. About 21.1 percent of women reported that they use their spouse to help them in contacting their suppliers. No men reported using their spouse in forming networks of relationships.

In addition, some entrepreneurs utilised relatives and friends in bridging them with the suppliers to form the relationships. Friends are the most frequently exploited personal networks (31.6 percent) as bridges in forming networks with suppliers. About 34.4 percent of men and 28.0 percent of women used their friends. About the same percentage of men and women business-owners (16.0 percent) are reported to use their relatives (families) in contacting suppliers.

"I am not quite sure initially where to get the best quality of flour for my product. My friends help me in many things. He has also been in the same business for quite some time. He introduced me to a Chinese supplier who is also his supplier. The supplier give very good co-operation and this makes it easy to buy the materials." (Q8.3/27)

"I got help from my parents and relatives in contacting suppliers at the early stages of my business. However, when the suppliers know that you are doing a good business, they will come and offer you their goods..." (Q8.3/28)

The above examples demonstrate that the use of friends and relatives as intermediaries in forming networks with suppliers was due to personal reasons such as lack of experience, give them more confidence, ease of access and co-operation. However, when the business develops, about 28.1 percent of men and 32.0 of women manufacturers argued that the suppliers come and establish the business relations with them. During this time, the food manufacturers consume quite a large quantity of raw materials, and as customers, the suppliers need them in the business. Therefore, in some cases the suppliers themselves approach the entrepreneurs and offer their inputs. Here is another example:

"When our business is already established, we do not worry so much about suppliers. They will come to us, and we can make a demand and choose but we must be careful that we aren't trapped by their tactics. Some suppliers bring inputs that we didn't order and they give three months credit. However, our principle is to stick to regular suppliers because we know each other and have been doing business for quite some time." (Q8.3/29)

Additionally, government agencies are also reported by entrepreneurs to be helping them in introducing them to suppliers. About 12.0 percent of women use these networks as intermediaries while only 8.8 percent of men used these networks. This reflects the influence of government agencies in secondary networks, where women exploit this network during their local group activities. Besides, the relationships established during the training programmes are also utilised by the business-owners.

Finally, when the relationships with customers get stronger, some of the customers become intermediaries to link entrepreneurs to the suppliers. Even though this network is not frequently utilised, the existence of this type of network adds to the entrepreneur's personal networks for future planning, especially for women entrepreneurs.

The utilisation of personal networks in bridging entrepreneurs to their suppliers is not as active as in the case of customers. The reason is that not many suppliers are needed for the business because the use for raw materials in the production process is limited. On the other hand, entrepreneurs prefer to contact personally their suppliers for the reasons discussed above. The network structure for men and women is about the same. Importantly, the discussion mirroring the utilisation of entrepreneurs' personal networks is unavoidable during this activity.

C. Formation of Relationships With Credit Agencies

During the early stages of business development, many Bumiputera business-owners obtain financial support from their primary network groups. These groups can only provide small amounts of money to support business activities. However, the networks with credit agencies such as banks and government institutions seem to be crucial when the business develops.

The discussion in chapter 7 (Table 7.1) indicates that 29.8 percent and 40.4 percent of entrepreneurs obtained their financial support from banks and government agencies respectively. Not many women were involved with banks while about 40.0 percent of men and women acquired financial support from government agencies. In obtaining this resource, about half of the entrepreneurs planned to utilise their networks as intermediaries to bridge them with credit agencies. A summary of these networks is displayed in Table 8.5.

However, about 59.3 percent of men and 53.8 percent of women personally contact these credit agencies. This finding reflects the fact that entrepreneurs are more active in seeking financial support personally. They feel it is more convenient and that they can express their ideas as well as confirm their business reputation to the credit agencies. Our entrepreneurs commented:

"I felt it was more convenient to contact this government agency personally. This allowed me to express my business performance and make them confident." (Q8.3/30)

"I contacted this bank personally because I knew some of their staff during my previous work. On the other hand, dealing with people was my job and I had experienced this before." (Q8.3/31)

Besides, the historical relations and activities also play an important role in forming the networks with these agencies. Men entrepreneurs in this case are more confident in dealing with credit agencies to obtain financial support for their business development. In addition, it is reported that the primary network is the most popular network exploited by entrepreneurs in joining them to credit agencies. A total of 12 entrepreneurs used this network. In this case, about 33.3 percent of men and 23.1 percent of women are reported to have used this intermediary. Two of our entrepreneurs commented:

"I got help from a friend to get access to the bank. My friend had set an appointment with the bank officer and invited me to accompany him. I grasped this opportunity to discuss my business and the possibility of getting a loan. By using someone they know, my loan process is easier and the chances to get loan are higher." (Q8.3/32)

"I am not very good at talking to the bank officers. My education level is only at primary school and I do not know how to deal with them. Therefore, I went with my daughter to see and discuss a business loan with this government agency." (Q8.3/33)

TABLE 8.5: FORMING NETWORK RELATIONS WITH CREDIT AGENCIES

Contact through	All (N=40)	Male (N=27)	Female (N=13)
	%	%	%
Own contact	45.0 (18)	59.3 (16)	53.8 (7)
Primary network	30.0 (12)	33.3 (9)	23.1 (3)
Government agency	2.5 (1)	- (0)	7.6 (1)
Supplier network	2.5 (1)	3.7 (1)	- (0)
Agencies Approach	7.5 (2)	3.7 (1)	15.4 (2)

Note: value in parenthesis represent number of respondents

One of the women entrepreneurs utilised the government agencies in getting access to the credit institutions, while no man reported using the government people in this case. On the other hand, a man entrepreneur argued that a good network relation with suppliers is important for business development. His relationships with suppliers was very encouraging and due to trust and interdependence, one of his suppliers helped him in obtaining the loan from a bank. Because a good relationship existed between this supplier and the bank, the bank is willing to provide a loan to him. He noted:

"After some years in business, my relationships with suppliers are very good. We are close friends and phone each other almost every day. We talk about many things, not only business activities. One of my suppliers suggested to me that I should obtain a loan from a bank to expand the business. He has a good relationship with the bank and really wants to help me in getting a loan from the bank. However, I did not face any financial difficulty at that time. The next day we

went together to discuss business matters with the bank officers and they gave me a form to complete. I went home and forgot about it. Surprisingly, a month later the bank had approved my loan and with that money I expanded this business." (Q8.3/34)

Some officers from government agencies visit the Bumiputera businesses and provide assistance if necessary. Entrepreneurs will take this opportunity to discuss some business matters, especially regarding the financial aid provided by the agencies. The entrepreneurs are normally required to prepare a working paper for their loan requirement. On top of that they also need to find two or three persons to be guarantors for the loan.

"The staff from this government agency sometime visit my business and give motivational support and advice. I express the financial difficulty I face. Then, they ask me to prepare a working paper for my business and I have to find three people as guarantors to the loan. However, with the help of their staff, I submit the working paper after two months. The officers visited the business after that time and about four months later my loan was approved." (Q8.3/35)

The above discussion demonstrated entrepreneurs forming their own network relations with the credit agencies. Entrepreneurs are keen to contact these agencies personally. However, some of them also utilise their personal networks as intermediaries in bridging them to these groups. Many of them prefer to use primary networks in this case. The other intermediaries are of little importance. The discussion in general demonstrates the roles of entrepreneurial networks in connecting and forming relationships with tertiary network groups.

D. Network Activities with Tertiary Network in Formation Stage

Throughout the discussion, the researcher has demonstrated the roles of personal networks and their importance to business activities and performance. The researcher also discussed that in the formation stage, the business-owners utilise their primary and secondary networks in bridging them to the customers and suppliers (raw materials and financial resources). The relationships with tertiary networks do not stop at the first meeting, but continue to take shape as a primary economic exchange begins (Larson, 1991).

The entrepreneurs have described certain criteria for network activities such as exchange of information or resources, negotiation, persuasion, investment, coordination and integration having taken place at formation stage. The exchange process with customers and suppliers may take different activities, actors and

resources. But the main aim of entrepreneurs establishing relationships with tertiary network is to sell products or acquire resources.

In achieving these objectives, economic exchanges seem to be compulsory in forming relationships. However, Easton and Araujo (1992) argue that exchange relationships do not necessarily involve an economic component. Other dimensions may be involved in the formation of relationships such as the discussion of technical issues, knowledge, planning, and social and legal issues. Before selling products or acquiring resources, entrepreneurs may be involved in negotiations about the price and exchange of some relevant information (see Q8.3/5).

The first contact between an entrepreneur and a tertiary network member does not indicate when the first economic exchange begins. Exit by either participant may occur at any time during the business negotiation (see Q7.1/2). Therefore, this stage is considered to occur between the first contact and the first primary exchange (of products, raw materials and money) between entrepreneurs and tertiary network members. Immediate transactions between entrepreneurs, customers and suppliers are mentioned in many cases.

".....we cannot delay in selling products because we need the money to use for other activities. I normally sell the products in the first meeting with the customers...." (Q8.3 36)

"Normally, we will buy straight away from the suppliers because we need the material for the production of our products. At the first meeting, of course, we pay cash. After that we agree on price, quality and delivery of materials....." (Q8.3/37)

The advantage of the small firms is that they can react immediately to the market. Bumiputera entrepreneurs normally decide and act fast in selling and buying, especially in obtaining raw materials from suppliers, because they have the choice as to whether to buy or not. If they delay buying, they will also delay their production. They may lose their customers because they can't continue the production and selling on time.

On the other hand, when dealing with customers, they do not have much power to insist that their customers or agents buy or market the products. Some customers do not immediately buy the entrepreneur's products. In this case, entrepreneurs normally have to persuade these kind of customers. In this case, entrepreneurs use intermediaries in bridging them to distributors or agents (Smith and Laage-Helman, 1992). This is considered effective because the relationships between

intermediaries and distributors (agents) or retailers already exist. Aldrich et. al. (1990) argue that using brokers (intermediaries) for business relationships may increase the likelihood of entrepreneurial success.

However, intermediaries are not always available and their contacts are also limited to within their network circle. Therefore, one of our entrepreneurs exploits local people as proxies in persuasion and getting access to the local shop-owners (see Q8.3/19). However, the majority of intermediaries used by entrepreneurs have little or no business experience, and this could limit market development.

Entrepreneurs also play a role as a customer in order to approach and persuade retailers to sell their products. Being a customer, entrepreneurs will normally be provided with a good service by the shop-owners. At the same time information about similar products can be gathered (see Q8.3/5).

Besides marketing through retailers or shop-owners, agents or distributors are also used by the entrepreneurs. These agents may sell direct to the consumers or sell to the retailers. One of our entrepreneurs commented:

"What I did in selling was to build a bond with my agents. Therefore, I should know where my agents should distribute this product and how much profit they can get. They have a mutual understanding among themselves and cooperate well on marketing the product. For my part, I will try to make them confident and be able to communicate with them as well as coordinate the selling activities. I will make sure that the agents are not overlapping in marketing this product in certain areas" (Q8.3/38)

Manufacturers also coordinate activities and relationships within the networks with agents to increase their business effectiveness (Lundgren, 1992). This is for business harmony among the agents as well as for their business development. In this case, another entrepreneur argued that he not only coordinated the distributors' activities but has provided vehicles to his distributors for expanding his market areas.

"I was thinking to expand this business and I need more distributors to disseminate the products not only in the local market areas but outside the local areas. I know a few friends that are honest and hard working. I approached them and took them to dinner. I expressed my intention that if they can become my distributors. I provided vans for them, but they needed to make a monthly payment for the cost of the van....." (Q8.3/39)

In the above case, the manufacturer made investment in forming network relations with customers by providing vehicles to the agents in distributing their products. In addition, the entrepreneurs also give free samples of their products for testing to the retailers. The reason is that not all the shop-owners are willing to sell the products. Therefore, they try to persuade retailers by providing free samples for them. In addition, the entrepreneurs also leave a certain amount of their products to the shop-owners and come back a week or two weeks later to collect the money on the products sold. One of our entrepreneurs commented:

"In the first meeting with the shop-owners, I normally gave a few bottles of free samples of the product to them. I also told them what price I would charge them if they decide to buy the products and what price they will sell to their customers. I gave them one week to think and the following week I discussed with them again whether they are ready to sell the products. They will normally sell the product with payment on a consignment basis. I will leave the products in their shops and collect the money from them in the next week." (Q8.3/40)

During the early stage of network development, the above example demonstrates the negotiation process with customers existed in which the discussion normally revolve around issues of price, payment, delivery and quality of products (see Q8.3/7). In the formation stage, manufacturers sell for cash, credit or ask retailers to sell the product and pay the commission to them. On the other hand, selling to the agents is normally with cash at the early stage of network relations.

Negotiation involving the formation of networks with credit agencies mostly involves a viable business proposal (see Q8.3/35). Not all meetings with the tertiary network members result in an economic exchange.

".... a few shop-owners did not want to accept our products to be sold in their shops....." (Q8.3/41)

".... normally we will personally go to the suppliers and find out about the quality and price. If they can provide the quality we want or their price is too high, we will find another supplier....." (Q8.3/42)

The two examples above explain the early split (exit), even though the first meeting with tertiary networks had occurred. Customers may have various reasons for rejecting products such as they have had a bad experience before, not enough space in their shops, commission is not attractive, the price of the products is too high, some products do not have a brand name, they already have similar products and so on. They have the power to reject these products since they control the market in their locality.

On the other hand, the network with suppliers indicates that entrepreneurs have a choice because of many suppliers in the market who can offer them similar materials. The important thing is to get information about where the suppliers are, what they sell and the prices of the materials. The more knowledge and information they have about suppliers, the more choices entrepreneurs can make.

In addition, the networks with credit institutions, especially with banks, also demonstrate early exit. This has been commented on by one of the entrepreneurs whose bank required a security for collateral in order to arrange a business loan, as discussed in chapter 6 (see Q7.1/2). Some of the entrepreneurs may decide against trying to get support from banks because they are incapable of showing security.

However, for some businesses, the network of relationships with credit agencies is important for their business development. They usually need to prepare a working paper and show collateral or find a few persons as guarantors to secure the loan (see Q8.3/13 and Q8.3/35). Normally they will obtain the loan between a month and nine months from the first meeting with credit officers. This, of course, depends on the time they submit the working paper and the conditions they need to fulfil. In this case, the loans approval are dependent on the preconditions of the loan, the viability of their business and the potentiality to pay back the loan. The officers of the credit agencies will normally do some assessment of their business activities.

During the formation stage, the role of intermediaries ends when the exchange process has taken place. Entrepreneurs normally network personally with tertiary networks for their business purposes after the first primary exchange begins. This demonstrates that the networks are not static, but they are subject to changes in different forms. The intermediaries in this case are replaced by direct network between entrepreneurs and the tertiary networks.

Furthermore, when the primary economic exchange between entrepreneurs and this tertiary network occurs, the network ties begin to take shape, where the integration of two businesses develops. The evolution of network relations inevitable due to the importance of continuing the business relation between the entrepreneurial network members. This process is more appropriate for the discussion of the next stage of networking management of tertiary networks.

8.3.3 Development Stage

A network approach emphasises the threads of continuity linking actions across a field of action that includes individuals or organisations and environments as a totality (Dubuni and Aldrich, 1991). The study aims to explore the network activities at this stage which could bond those relationships (Easton, 1992). In this case, economic exchange relationships are the central feature of networking process (Easton and Araujo, 1992) involving entrepreneurs and tertiary networks.

The exchange and interaction between entrepreneurs and their business networks, especially with customers and suppliers, are considered crucial for small firm development and performance. The continuity of primary economic exchange can also lead to other social exchanges, of information, technical and business knowledge, and interest as relationships develop. Entrepreneurs perform many different activities or strategies to develop the network relations with business networks. One of our successful entrepreneurs argued that:

"We have to understand customers because they are important to our business. I try to get along with them, talk to them and make them happy on every visit to their shops..... I talk with them about what they like to talk. If they talk about soccer, I talk about soccer. If they like birds, I talk about birds. If they like politics, I will always be on their side. I also get close to their family and bring local fruits to their children....." (Q8.3/43)

Understanding the customer's interests and their family members are the strategies usually utilised by entrepreneurs to develop good network relations with business partners. Knowledge of actors and their networks of relationships is useful to enable the development of good relationships between actors (Hakansson and Johanson, 1992). Some use a more rigorous strategy by making investments in developing networks of relationships with their customers. This kind of investment ensures the continuation of business transactions and the continuing need of each actor for the other. Larson (1991) also found that partner networks between two firms also involved capital investment as well as time and energy.

Furthermore, the entrepreneurs need to be tolerant in developing networks of relationships with customers. Otherwise, they may lose customers and the relationships may be halted.

".... some of my customers have financial difficulties and use up some of their money, so they cannot afford to pay the cost of the products during the collection day. They then promise to settle the payment when they overcome their financial

problems.... I have to be tolerant in handling this issue and constantly patient because I need a good relationship with them in my business." (Q8.3/44)

Besides, entrepreneurs also need to be patient and ready to accept a little loss on unfinished or unsold products. Entrepreneurs only collected the money on the products which have been sold. This is the nature of many businesses in Malaysia. In addition, some entrepreneurs provide a secret service by cleaning up and rotating the products among the retailers. This simple marketing strategy seems to be practical for small firm entrepreneurs in developing a good relationship with customers.

".....after a week or two weeks, I will go back to the shops. I will check on the unsold products of last weeks' delivery and take them back. Money is also collected during this visit and the new products are put into their shops." (Q8.3/45)

"I try to make the shop-owners happy by replacing the unfinished products with the new ones. So they feel pleased with my business because they get the new products every week. However, the products are durable goods and can stand for a year or more. As long as the products don't exceed the expiry date, customers can still use them. Therefore, the unsold products from one shop, can be sold to the other shops provided they don't exceed the suggested expiry date. The shop-owners seem to be happy....." (Q8.3/46)

Moreover, the cultures of the Bumiputera communities usually play their part in developing networks of relationships between entrepreneurs and their business partners. People visit each other especially during "Hari Raya Aidil Fitri and Aidil Adha" and are invited to the "Kenduri" (marriage party).

"I usually visit my customers during 'Hari Raya Aidil Fitri' and 'Aidil Adha'. When they invite me to a festival or marriage ceremony, I never miss attending the ceremony and give some presents to them. When I have "Kenduri", I also invited them." (Q8.3/47)

Besides, entrepreneurs also need to be sensitive to their customers demands and amend the product forms in order to match with the different customers. One of our entrepreneurs commented:

".....customers are different. Local shop-owners are more concerned as to the price of the products but supermarkets prefer quality products and packaging. Therefore, I need to make an adjustment to their demand." (Q8.3/48)

A unique case is demonstrated by one of our entrepreneurs, who not only develops relationships with shop-owners but develops network relationships with the shopkeepers (employees) by using informal economic activity (Thomas, 1992). He

argued that the strategy was effective and boosts the sale of his products in particular shops. He argued:

".....I am also close to their employees (shopkeepers) because the shop-owners are not available in their shops all the time. When they are not in, the shopkeepers will do all the selling. When I deliver the product to the shops, I normally put a small amount of money in an envelope, in one of the boxes, which is marked with an 'X'. The shopkeepers understand that tactic, and they will normally open that box first and get their share. Once they get their share they normally will promote the product to consumers who come to the shop. So, the sale of my product is very good. When the shop-owners find the sale turn over on that product is high, they will need me in their business. They worry if I do not send my product to their shops because they can earn more money by selling the product. At that time, not only shop-owners need me, but their employees as well." (Q8.3/49)

Whatever strategies are exploited by the manufacturers to develop network relations with business partners, the expectation is that their customers will not only continue business with them but will promote their products to local consumers. The more sales the retailers or distributors make of the products, the more chance for the entrepreneur's business to develop. Thorelli (1986) argues that building networks involves expenditure of money and entrepreneurs talent over many periods of time.

Network relations with suppliers are also essential for the business. Entrepreneurs normally pay cash to their suppliers during the early days of their business because they are strangers to each other and do not have knowledge about other parties. When the interaction increases, both parties try to understand each others business. Trust, which is important to build network ties (Johannisson, 1987b) is just beginning to develop. Therefore, for initial supplies, prompt payment and cash business with suppliers seems to be necessary. Our entrepreneurs comment that they have utilised strategies to test relationships with suppliers.

"I paid cash during the early business with my supplier because he needed me to do so. However, one day I tried to test him by ordering a large amount of the materials, but pretending I did not have enough money to pay the cost of materials during that day. I promised him to pay half of the money in the next buying. He allowed me to do so. Then, I went to the shop after a few days and paid the amount that I owed him..... I frequently got the materials from his shop and did not change the supplier. This is how my relationship with the supplier develop." (Q8.3/50)

"I need to make a prompt payment in order to make them trust in me. On my side, I usually ask them to come and collect the money, for example at 3.00 p.m. If they come late, I will not pay them during that day and they have to come in the next

day. The reason I give to them is that we are in business, and it is dangerous to keep cash in hand and therefore I need to bank all the cash. Even though I have the cash to pay them, I won't pay them if they come late. I want to make them understand my business procedure. Now, my suppliers really respect that procedure....." (Q8.3/51)

The two above examples illustrate that relationships with suppliers evolve through a learning process and increasing knowledge of each other business. Both parties try to understand each other's explicit and implicit ground rules (Larson, 1991) as exchange and interactions accumulate. Entrepreneurs as customers attempt to convey their business rules and procedures to suppliers by performing such behaviour. In some cases, the network with suppliers begins to take shape due to mistakes performed by the suppliers. This was commented on by one of the entrepreneurs.

"..... I made the first purchase and had to pay cash. Then, I developed a relationship by continuing to buy from him, and I met him twice a week. The cash business had taken place for three months, but one day when I wanted to get 20 boxes of caramel, the supplier couldn't fulfil the order because had run out of stock. Then he promised to send that material in the next two days. He kept his promise by sending the material after two days. However, he personally told me to pay the price of the material in the next two weeks and he himself collected the money. Starting from that time, he began to give me credit because of the good payment I made to him and he also needed to sell his goods to me. It is important to develop a good relationship with the supplier because I want my supplier to always send me the correct amount of materials as well as ones of good quality." (Q8.3/52)

It is necessary for suppliers to continue business with manufacturers. Therefore, they seem to be tolerant of their mistakes. Entrepreneurs benefit from mistakes through 'voice' rather than exit (Johanson and Mattsson, 1987). Johannisson (1987b) argues that "shared interest in a prolonged relationship motivates the parties to solve conflicts that may arise by 'voice' not by 'exit'" (pp. 17).

When each party is in need, interdependency begins to take shape as a result of economic activities which connect both parties. Interdependency will then determine the behaviour of the individual firms (entrepreneurs) (Easton, 1992). Entrepreneurs attempt to make the suppliers understand the rules and procedures of the business. The supplier makes quick adjustments because he doesn't want to lose his customers.

In developing network relations with suppliers, entrepreneurs are more straightforward and firm on their rules and procedures, especially when the

businesses expand and become stable. With this kind of behaviour, the problem of raw materials shortage or low quality will be kept to a minimum. Since they are customers to suppliers, they have certain powers to bargain but later they will realise that they are actually interdependent. The stable relationship between entrepreneurs and their suppliers is crucial under conditions of material scarcities (Rasmussen, 1992).

"Normally when I am satisfied with the price and quality of the products, I will continue to order from the same supplier. We have good co-operation in the early days of our business and the relationship develops on every order I make. The price and quality of the bananas offered by the supplier are stable. In out season, even though he can get more profit by selling the fruit to the other buyers with a high price, he is more keen to supply the materials to me with the same price as agreed before. He also put an effort into developing the relationship by giving extra bananas during the fruit season and sometimes he rewards with other types of fruit as well, to my family." (Q8.3/53)

In the above statement, both parties enjoy the stable relationship, but entrepreneurs are likely to change suppliers if prices fluctuate or unavailability of raw materials (Rasmussen, 1992). Besides, the suppliers try to tie the relationship by making investment in the relationship (Larson, 1991). The examples again explain how the relationships have been treated by both parties in ensuring a durable business exchange. The network relations have been tested by both sides, in a way that is rigorous enough to be trusted.

Entrepreneurs also consider the quality and price of the materials. Besides, the entrepreneurs either intentionally or not try to tell the suppliers their way of doing business. Suppliers need to adapt to the demands of their customers. Consequently, the trust and interdependence in business begins to appear.

The network of relationships between entrepreneurs and credit agencies also explains some activities at this stage. In order to develop the relationships, entrepreneurs have reported that they need to follow the payment schedule, make the credit agencies their financial adviser, visit the office or the officer's house when they are free, be a sponsor to any function organised by these credit agencies and attend business courses if they require them to do so.

"I make a prompt payment to the bank and, when I'm free I normally discuss the progress of my business with them. I also get advice and ideas from them to improve my business as well as financial management. Sometimes, I bring my family to their house. I really get close to him and we are good friends." (Q8.3/54)

"This government agency required me to go on a business course and I have to obey their demands because I need to have a good relationship with them and make them happy and trust in me. When they need me to participate in their programmes I will give a positive response. They also need me to be a sponsor of some of their official functions." (Q8.3/55)

It has been noted by entrepreneurs that they are required to ensure a clean loan payment to credit agencies in developing good relationships. The credit agencies will be happy and confident in their business if they make a prompt payment on their business loans. This will increase the chances for them to get another loan in future (Rasmussen, 1992).

Moreover, the network ties at the beginning of the development stage are considered loose or weak. As the frequency of interactions increase, the business rules and procedures are informally learnt and the network begins to take shape. The ties slowly get stronger and trust begins to clearly emerge. When the trust between both sides exists, it becomes the responsibility of the entrepreneurs to maintain a good network of relationships with their tertiary network.

8.3.4 Maintenance Stage

This stage will explain some network activities after trust comes into existence between two parties. It is argued that dyadic ties in personal networks are built upon mutual trust (Johannison, 1987b). Trust is built over time through the exchange of resources (Hertz, 1992). Hertz further argues that the higher communication level between the actors involved leads to increased trust. In this case, after a period of exchange and interaction, the relationships between entrepreneurs and the tertiary network get stronger and mutual trust takes shape.

A few cases of relationships in the development stage between partners have been tested before trust between both parties exists (e.g. Q8.3/50 and Q8.3/51). When the trust has come into existence, the relationship reaches maturity, where partners need to maintain stable network relations. Bumiputera entrepreneurs argued that they began to trust their customers between three and twelve months from the first primary exchange.

"..... It normally takes about 12 months to develop trust with customers. By this time we already understood each other's business and are more tolerant. The business occurs as usual but I need to maintain the quality of the products and relationships as well." (Q8.3/56)

"Normally I give credit to my customers after I trust them, when they are honest in their payment. It takes about six months to develop good contact networks with them. Then we can feel that a friendly situation exists between us, not only in business matters but other aspects of life. Our relationships are getting stronger because we need each other in doing business. If I delay a visit or a delivery of products to their shops, they will contact me at home....." (Q8.3/57)

Examples above demonstrate that after certain periods of exchange, trust will develop. The rules and procedures of the business are understood by each party (Larson, 1991), due to the experience of exchange and interactions. The exchange process leads to accumulation of knowledge between two parties. At the same time, the network relations between both parties creates interdependence which later could determine the behaviour of firms (entrepreneurs) (Easton, 1992).

At this stage, entrepreneurs are required to maintain and be more tolerant of exchange activities and resources. Some entrepreneurs begin to give credit to their customers, especially when the customers order a big volume. The reason is that the existence of trust in relationships between two parties, for the continuation of economic exchange, is important. Furthermore, the customers also promote the products and in some cases find sub-agents to distribute the products. Our entrepreneurs noted:

"When the customers trust us, this will make our job easier. They not only sell our products but become our agents in finding new customers or sub-agents. During my visits to their shop, I normally help them in selling the goods in the shop to their customers. They sometimes allow me to count their money in the payment counter. The secret is that you must be honest - honest to yourself, honest to your business, honest to your customers and honest to their business." (Q8.3/58)

"If customers trust us then they will do anything to help us in selling our products. They put my products at strategic places and they usually suggest my products to their customers. I found that the turnover of my products in certain shops is high because the shop-owners help to promote the products." (Q8.3/59)

Customers also display the products at strategic places in their shops. However, entrepreneurs also take precautions when maintaining relationships with customers because of bad experiences in their previous relationships (see Q7.1/4).

"....our experience is that only after a year can the customer be trusted. However, we need to reserve our trust in them because we do not know what will happen next to their business. I had a bad experience when customers did not turn up with RM1,700 from the sale of the products. As the business is only based on trust, and no written agreement is made, I can only pray and hopefully they will pay me all that money one day." (Q8.3/60)

Additionally, the roles of entrepreneurs may be multi-stranded as the relationships get stronger and the two parties become close friends. When this happens, entrepreneurs have more time to seek other customers in different market areas. The business activities with the existing customers are then taken over by the employees.

"When the relationship between customers and myself get stronger, I normally let my employees deliver the goods to them and I can concentrate on the other market areas. However, I used to talk with them over the phone and occasionally visit their family. In whatever we do, we must be honest and sincere with them. Try to make them close friends. It normally takes about a year to trust them." (Q8.3/61)

The role of both parties in this case evolves as the relationship goes on. The interaction is not limited to business issues but extends to social and family issues. At the same time the network ties between both sides get stronger and stronger.

"My regular customers showed very good co-operation and we not only deal with business matters but personal and family problems, and social activities as well. Sometimes, as a friend, he asked my opinion about their son or daughter's marriage and usually invite my family and I to the 'kenduri' or wedding party. I usually give them material to support them in celebrating that party..... They also support me in business and family activities. This is actually a part of our culture where we should help each other in whatever social activities we can participate." (Q8.3/62)

Network ties with suppliers also demonstrate a similar phenomena. Entrepreneurs have reported that trust in the relationships with suppliers arises between six months and two years after the first transaction. The suppliers then offer the entrepreneurs credit on raw materials they sell, and the price is also re-negotiated in order to strengthen the network ties with the entrepreneurs. One of our entrepreneurs noted:

"The relationship with my supplier got stronger after six months of our networking. He offered me a month credit and we re negotiated the price. Normally, the price will be reduced if I buy a large amount of materials. I normally placed orders over the phone, as compared to the first few months of our business where I personally got the materials from his shop. He sometimes gave his opinions on improving my business and also motivated me to develop my business." (Q8.3/63)

The researcher noted an interesting example of how one of our entrepreneurs maintains the network relations with his suppliers.

"My supplier is a Chinese businessman from Penang and he normally visits me every month. He has a discussion of about 2 or 3 hours during his visits and we talk about business and other aspects of life. I have learned a lot from him on how to handle customers. That is something which you cannot learn from school. To be honest it is good if you can stay with me for a few weeks and I can tell you a lot of things and secrets about business which are not written in text books. Experience, hard work and honesty are important in business. The supplier is not visiting me with empty hands. He usually brings something to my family. During "Chinese New Year," the supplier usually gave to my family a hamper and an "angpau" (a small envelope which has money inside). He also took his family to my house and introduced them to my family especially during "Hari Raya Aidil Fitri" and "Aidil Adha." Our family spared time to be with them and talk about many different subjects.I knew that he did not want to lose me as his customer. Occasionally he brings his family to my house and we have lunch together. I know that he really needs me to continue business with him and not to turn to the other suppliers..... Of course I also trust him and am loyal to him because we have done business for almost 20 years. Now we are very good partners even though we are of a different race." (Q8.3/64)

The above discussion with the entrepreneur illustrates how both parties maintain the network relations by sharing many social activities and business matters. The supplier as well as manufacturer do not want to lose each other since both parties are dependent on the others' businesses. Trust in each other also contributes to the business performance - one of our entrepreneurs has a very good relationship with a supplier, and earned a huge amount of money of that relationship.

"My business started to develop because of this supplier. He is a good supplier and he usually has a record of my order. He knows when to get and stock the materials for me. He imported the materials from Indonesia. I feel happy doing business with him since he understand my needs. He normally lets me know that he has a stock some amount of materials for me. However, the price of materials increased during that time and the supplier had asked my permission to sell the stock. I will get about 60 percent of the profit from the sale of the stock, for which I paid nothing. With that sale, I managed to earn about RM60,000. Today, my supplier really trusts in me and he is willing to offer me capital when I need it. I am confident in my business now and I tell you that I can make a business without capital." (Q8.3/65)

Honesty in doing business will lead to other partners trusting an entrepreneur's business and will lead to several benefits from good relationships. However, some entrepreneurs still reserve their trust when dealing with the suppliers. They may have had bad experiences as discussed in the developing stage. One of entrepreneurs argued:

"We cannot give 100 percent trust to suppliers. They are businessmen like us and they will find opportunities everywhere in order to develop their business. I am very concerned at the cost of the materials that I buy from them. We have a verbal

agreement on the price, and he should stick to the price agreed. If the supplier is not loyal and tries to increase the price, I will stop ordering from him and find another supplier. I sometimes go to collect the materials from them just to make sure that they are doing the right business and have enough supplies of materials. It take me about one year to understand and trust suppliers." (Q8.3/66)

In maintaining network relations with credit agencies, entrepreneurs are required to make a good payment on the loan they obtain. A prompt payment will increase their chances of getting another loan for the business in future (Rasmussen, 1992). According to the entrepreneurs, it takes between two and three years to make these agencies trust the relationship.

Entrepreneurs also continue activities in the development stage, such as making the credit agencies their financial adviser, visiting the office or officer's house when free, being a sponsor to any function organised by these credit agencies and attendance of the business course or participation of an exhibition if they require them to do so. On the other hand, they also attempt to prove that their business is a viable business to these agencies. If they face problems, they will immediately contact these agencies to get advice. These activities are not only useful for their business but to maintain relationships for the future benefits. When the agencies trust in them and their business, they are sometimes offered opportunities by these agencies to expand the business into different business sectors.

"I maintain a good relationship with this bank by showing them a good record of loan payment. When I have problems, I immediately contact them and discuss the problems with them. I keep a good account in their bank to prove that I do a good business. Now, this bank really trusts in me and I believe that I can obtain loans at any time when I need the loan. You know, this bank also offered me a marble factory....." (Q8.3/67)

The above discussions explain many characteristics of network ties between entrepreneurs and tertiary networks. In the development stage, the network ties between both sides begin to take shape but in the maintenance stage, the ties become close and strong. Interdependence clearly emerges between them when both parties require each other (Grabher, 1993). Experience as well as knowledge about the nature of relationships between parties is important in developing and maintaining the relationship (Hakansson and Johanson, 1992). Trust is important in maintaining relationships and is a component of business dealings (Dubini and Aldrich, 1987). It leads to people looking for a chance to do business again.

Both parties need to co-ordinate activities in such a manner that the relationships are not hurt or spoilt. Disturbance of the relationship could lead to deterioration of

the business relations (Curran et. al., 1993). At the same time, both parties benefit from a well maintained relationship as a result of business opportunities. A good network of relationships assures a continuing primary economic exchange. Therefore, as in the primary and secondary networks; tertiary networks are important because they directly affect business activities. Effective entrepreneurs are able to stabilise and maintain networks (Dubini and Aldrich, 1991) for their business development and performance.

In summary, the personal networks of entrepreneurs were divided into primary, secondary and tertiary networks based on the activities and nature of the relationships. Tertiary networks adhere closely to the model proposed. They also provided the essential information which allowed the analysis of the four stages in the model. Relationships between entrepreneurs and their primary networks only presented the maintenance stage since the other stages were long established in the social relations common in Malaysian society. Meanwhile, some management stages are also absent from secondary networks due to the social and economic activities of the entrepreneurs before starting up their business.

The discussion also demonstrated that the network relationships with tertiary networks were crucial for the development of Bumiputera businesses especially in the development and maintenance stages. It is argued that a good network of relationships with tertiary networks can benefit Bumiputera businesses in many ways. The relationships with these groups began with economic exchanges and slowly evolved to wider business and social exchanges and multidimensional relationships. Network ties became strong when trust between two parties developed which at the same time provided advantages for Bumiputera businesses. The discussion in the next chapter develops this further.

CHAPTER 9

9.0 CHARACTERISTICS AND PATTERNS OF ENTREPRENEUR'S NETWORKS OF RELATIONSHIPS

The early quantitative and qualitative information provides a broad view of the composition, characteristics and structure of the Bumiputera personal networks. In this chapter, the researcher expects to examine some characteristics and elaborate on the pattern of networks of relationships between Malaysian entrepreneurs and their social environments. The discussion begins with an investigation of the network characteristics of Bumiputera business-owners using quantitative information. Then, the researcher attempts to explain the structure of the entrepreneurial network, and the changing pattern of network relations between Bumiputera entrepreneurs and their contact networks. Finally, the discussion focuses on the impact of network utilisation on the development of small businesses in Malaysia.

9.1 Network Characteristics of Malaysian Entrepreneurs

An entrepreneurial network perspective has only begun to develop since the 1980s (Johannison, 1984; Birley, 1985; Aldrich et. al., 1986). Therefore, by exploring the network characteristics of Malaysian entrepreneurs, the researcher is able to identify their networks and compare them with the early findings. In order to make an international comparison, this study extends the existing studies by Aldrich and his colleagues to entrepreneurs in Malaysia.

The early studies of the entrepreneurial network characteristics among men and women business-owners demonstrate interesting results (Aldrich et. al., 1987 and 1989; Cromie and Birley, 1992; Staber, 1993). This study also adds to an understanding of this issue. The information from the fieldwork interviews is then analysed using some statistical tools. Due to the non-normal distribution of the data, non-parametric statistics (wilcoxon test) are used to analyse the quantitative data for comparing two independent groups (male and female) of entrepreneurs (Mendenhall et. al., 1986; SAS, 1987; Mansfield, 1990). Table 9.1 demonstrates the results of network characteristics among men and women business-owners in Malaysia.

TABLE 9.1: NETWORK CHARACTERISTICS OF SMALL FIRM ENTREPRENEURS IN MALAYSIA

Characteristics		All	Men	Women	p
Network Size(1)	mean	7.3	8.1	6.2	0.025
	st.d.	3.5	3.9	2.6	
Network Intensity(2)	mean	4.3	4.9	3.7	0.086
	st.d.	2.1	0.4	0.3	
Network Density(3)	mean	19.5	20.9	17.6	0.62
	st.d.	22.0	23.2	20.1	
Cross Ties(4)	mean	28.5	13.9	47.2	0.0001
	st.d.	32.1	23.0	32.8	

Note: (1) number of persons with whom small firm entrepreneurs had discussed business during the past six months.
 (2) number of hours spent per week by entrepreneurs in discussing business matters with five close network members
 (3) percentage of five close network members who are strangers to each other
 (4) percentage of cross-sex ties in the five close network members

9.1.1 Network Size

The study found that men were more active in networking activities compared to women, reflecting the discussion of Chapter 7. The average number of people with whom Bumiputera entrepreneurs have discussed business matters during the last six months is about 7.3 people. Men are more active in networking as they spoke to 8.1 people regarding their business matters while women talked to only 6.2 people. Men had about 2 more people than women in their personal networks. This gives an advantage to the men and enables them to be more active in using their personal networks for the development of their businesses. The difference is statistically significant at 0.025, and supports the hypothesis i.e. there are different numbers of people in male and female personal networks. It is found that women in Malaysia are less active networkers than men due to cultural and economic constraints (see Chapter 6).

The use of the modified version of the personal contact network instrument developed by Aldrich et. al. (1989) allows the results of the various studies to be internationally compared. In explaining the difference of network size among men

and women entrepreneurs, Aldrich and his colleagues found that men in the US had spoken to 9.4 people, slightly lower than women who talked to 10.0 persons. In contrast, they discovered that male entrepreneurs in Italy talked to 8.1 persons compared to only 7.0 persons for their female counterparts. However, they did not show any statistical differences for the samples in the US ($p=0.51$) and Italy ($p=0.73$). On the other hand, they proved that there were significant differences between the means for the US and Italian samples ($p=0.01$).

A study of entrepreneurial networks by Staber (1993) demonstrated that Canadian women were more active in talking to many people (24.5 persons) over a six month period, while male entrepreneurs only talked to 10.5 persons. The samples in Canada had shown a significant difference ($p<0.01$) in network size among men and women entrepreneurs. In addition, samples in Malaysia also confirmed the difference but it was men who discussed the business with more people than women.

TABLE 9.2: NETWORK SIZE OF BUSINESS OWNERS IN VARIOUS COUNTRIES

Country	All	Person (means)	
		Men	Women
U.S.A.	-	9.4 (8.3)	10.0 (9.1)
Italy	-	8.1 (5.8)	7.0 (4.3)
Canada	-	10.5 (9.5)	24.5 (25.5)
Northern Ireland	7.4	-	-
Malaysia	7.3 (3.5)	8.1 (3.9)	6.2 (2.6)

Note: number in parenthesis is standard deviation

On average, the size of personal networks for Malaysian entrepreneurs is similar to that of entrepreneurs in Northern Ireland (Cromie and Birley, 1992). Men entrepreneurs in Malaysia and Italy (Aldrich et. al., 1989) talked to similar numbers of people over a six month period (8.1 people). The samples in the US (Aldrich et. al., 1989) show that both men and women entrepreneurs there discuss business matters with more people than entrepreneurs in Malaysia, Italy or Northern Ireland.

On the other hand, the samples in Canada indicate that their entrepreneurs are the most active. Women business-owners in Malaysia however have the least number of people with whom they discuss their business matters, followed by Italy, the US and Canada. A comparison of those findings is summarised in Table 9.2.

9.1.2 Network Intensity

Network intensity (which in this study refers to the average hours per week spent by Bumiputera entrepreneurs in talking to their five core network members) demonstrates an interesting result. Unfortunately, different researchers used different measurements and it is not realistic to exhibit the findings in table form. However, for the purpose of the discussion, it is men entrepreneurs who again spent more time (4.9 hours per week) discussing their business matters with their close network members. In contrast, there was only 3.7 hours spent by women in Malaysia. The difference of 1.2 hours significantly supports the hypothesis that women in Malaysia use different amounts of time compared to men when discussing business matters with their close network members ($p=0.086$).

Staber discovered that men in Canada spent on average half of their time compared to only one third spent by women in establishing their business contacts ($p<0.001$). Aldrich et. al. (1989) found that men and women spent about 5.6 hours and 5.8 hours respectively in developing contacts every week, while the total was 5.9 hours and 5.1 hours in maintaining contacts respectively for the US samples.

On the other hand, men in Italy spent more time than women in developing (13.0 hours vs 9.0 hours) and maintaining (13.0 hours and 10.6 hours) contacts. An earlier study by Aldrich et. al. (1987) shows that the average contacts per week with close network members for those persons who start their own businesses is significantly ($p=0.03$) higher than persons who have not started their own businesses. Perhaps the differences in the above issues (network size and intensity) reflect the cultural backgrounds of entrepreneurs in various countries. Bumiputera entrepreneurs in Malaysia are new to business and their level of education is low. In addition, their businesses are small in size, labour intensive and they market their product locally. These cultural issues as well as the background of businesses and entrepreneurs may explain why Bumiputera entrepreneurs are less active in network activities.

9.1.3 Network Density

Network density, which refers to the percentage of network members who are strangers to each other, does not indicate any significant difference between the sexes. This finding does not support the hypothesis - network density is also expected to be dissimilar among men and women in Malaysia. Men entrepreneurs in Malaysia reported that only 23.2 percent of their network members do not know each other while women reported about 20.1 percent for their network density. This issue explains that men and women in Malaysian communities are closer and more dense in their social relations. In the US, the percentage of strangers in men's and women's personal networks is about the same (42.3 vs 44.6 percent). Female entrepreneurs in Italy reported a significantly ($p=0.08$) higher number of strangers in their personal networks compared to their male counterparts (40.7 vs 52.3 percent).

The Canadian samples further demonstrate a significant difference ($p<0.01$) - that women include more strangers in their personal networks (40.0 percent) than men (26.1 percent). The men in Canada are reported to have strangers in their personal networks at rates just above the Malaysian samples. Table 9.3 demonstrates the international comparison of network members who are strangers to each other in entrepreneurial networks.

TABLE 9.3: NETWORK DENSITY OF BUSINESS-OWNERS IN VARIOUS COUNTRIES

Country	Means (percentage)	
	Men	Women
U.S.A.	42.3 (29.7)	44.6 (28.4)
Italy	40.7 (24.4)	52.3 (23.4)
Canada	26.1 (25.2)	40.0 (28.3)
Malaysia	20.9 (23.2)	17.6 (20.7)

Note: the number in parenthesis is a standard deviation

9.1.4 Cross-Sex Ties

However, the percentage of cross-sex ties in the five network members reveals statistically significant evidence concerning the Bumiputera entrepreneurs. A comparison between men and women entrepreneurs shows that cross-sex ties of personal networks are statistically significant ($p=0.001$) and support early studies in the US ($p=0.01$), Italy ($p=0.01$) and Canada ($p<0.001$). Men in Malaysia indicate only 13.9 percent of females in their personal networks. On the other hand, women entrepreneurs in Malaysia are likely to include more males (47.2 percent) in their personal contact networks.

When comparing this result with some other countries, the researcher found obviously similar patterns of cross-sex ties in the US, Italy, Canada, Northern Ireland, Sweden and Malaysia (Table 9.4). Generally, women are likely to include more men in their personal networks. In contrast less women are included by men in their personal networks. However, women in Canada and Malaysia are likely to include less males in their personal networks than elsewhere. Interestingly, men entrepreneurs report that they have about a similar percentage of cross-sex ties (between 10.8 percent and 13.9 percent) in many countries except men in Canada, who show a higher percentage (26.1 percent).

TABLE 9.4: PERCENTAGE OF CROSS TIES BY SEX OF BUSINESS-OWNERS

Country	Percentage	
	Male	Female
U.S.A.	10.8	66.1
Italy	13.5	63.0
Canada	26.1	40.0
Sweden	13.4	56.3
Northern Ireland	13.0	73.0
Malaysia	13.9	47.2

9.1.5 Discussion of Network Characteristics

The above discussion on the findings of entrepreneurs' network characteristics from various countries are related to the cultural issues of the entrepreneurs of those countries. In addition, some differences in the findings are probably due to the size of the business (see Chapter 2), market areas, technology of the business, study methodology as well as the samples involved in the study. These will be considered throughout the discussion.

Both women and men entrepreneurs in developed countries are more active and talked to more people regarding business matters. But only men in Malaysia have shown they are active in discussing business with the persons in their personal networks. Men and women in US and Canada are more aggressive in their networking activities, probably due to the social and business cultures and personal entrepreneurial qualities.

A study of eleven countries on entrepreneur's motivation shows that the US entrepreneurs have the highest degree of need for independence (Scheinberg and MacMillan, 1988) - this probably explains some of the dissimilarities in the results. On the other hand, the difference in the findings also reflects the entrepreneurs' and their businesses' background, especially as educational levels of entrepreneurs are low in Malaysia (see Chapter 2 and Chapter 6).

The findings on network size also reflect the earlier discussions on financial support networks, propensity to create networks and sources of information and advice obtained by men and women entrepreneurs (see Chapter 7). Women are argued to have more support from their spouse, relatives and friends. When facing business problems for example, women are more comfortable discussing these with their personal networks, especially their spouse and relatives (see Q81/4). Women in Malaysia seem to have limited networks since they are unable to access strangers due to social and cultural limitations. On the other hand, men's personal networks are more diverse because they do not have these limitations and they can exploit many social resources for their business development.

Overseas entrepreneurs are likely to network with consultants. Knight et. al. (1991) report that 72 percent of small firm entrepreneurs in Canada networked with consultants. This perhaps reflects the business culture of a particular country. Small firms in developed countries probably accommodate different market structures and use different types of technology. In contrast, Bumiputera entrepreneurs in Malaysia

are new to their business, use low mechanisation in production and cater for only local market structures.

In addition, men in Malaysia spend more hours discussing business aspects with their personal networks than women. They are active in identifying opportunities and obtaining scarce resources from their environment for the development of their business and to overcome some of their business problems. This is because of their social and family responsibilities and obligations. Women have some constraints on their social relations which slow down their network activities.

Although men entrepreneurs seem to be more active in their networks than women in Malaysia, they are not rigorous enough compared to entrepreneurs in developed nations. They not only talk to fewer people but also use a smaller portion of their time in discussing business matters with their close network members compared to overseas entrepreneurs. This is again likely to be due to the fact that they are new in business, have a low level of education and a small size of business. These factors encourage them to spend most of their time in production and marketing their products. This is probably a reflection of the business culture which has just begun to flourish among Bumiputera entrepreneurs.

However, as the nation moves toward industrialisation, government policies and the economic atmosphere have provided a conducive environment and opportunity not only for men but for women to venture into business sectors (see Q8.2/1, Q8.2/2 and Q8.2/5). Female participation in business has increased which could provide women with a pool of contact networks among their own sex (see Chapter 4). Since they are new in business, they are not aggressive enough in their networking activity and they probably need role models among their own sex to motivate them to actively participate in their personal, social and business networks.

On the other hand, the role of culture in controlling social relations and networks is inevitable. Men in Malaysia have the responsibility to provide their family with basic material needs while women normally care for and nurture their children at home. These social responsibilities are more complex among the Bumiputera communities. Therefore, the researcher found that women entrepreneurs have smaller networks and spent less time in discussing their business matters, as compared to men. The majority of women in this study are married with four to five children. They do not have as much time as men because they also need to allocate some amount of time for their family. In this case, they also worked less hours (see Section 6.2.7 in

Chapter 6) for their business and spent less time discussing business matters with their business networks.

Business in Malaysia is an area which is dominated by men - especially Chinese entrepreneurs since they have been in business for centuries. Therefore, it is likely that the majority of male entrepreneurs will network among themselves since many of them are already in business. In addition, Malaysian society is a society where men dominate in social relations and networks. In this case, it was found that only a few men have women in their personal networks which usually cover their wife, parents and relatives (primary networks).

In the analysis of the occupations of the five close network members of entrepreneurs (Table 9.5), it was found that men and women Bumiputera entrepreneurs (54.7 percent) are inclined to discuss business with those who run other businesses. Men (62.8 percent) are more active in discussion with other entrepreneurs as compared to women (44.2 percent). By including people in business as personal network members, entrepreneurs could probably gain access to business assistance and resources. However, many of these members are also new to business and have limited networks in business communities which can limit their networking activities. The occupations of entrepreneurs' personal network members are summarised in Table 9.5.

Both men and women report that they include those who work with government agencies as the second highest group in their close networks. However, women are more active in networking with people who are in government agencies of secondary networks. They also utilise people in government for obtaining sources of financial support and information as well as advice, as discussed in Chapter 7. It is good to obtain resources from various network sources in their environment. However, the majority of people who work in the government agencies do not have first hand business experience. This may lead them to misunderstand the real problems faced by entrepreneurs.

Due to the shortage of experienced business consultants in government agencies, their capacity to provide effective consulting services to the Bumiputera entrepreneurs is also limited (Malaysia, 1990a). However, networks with government people are inevitable due to the many Bumiputera working with government agencies. These agencies play roles in motivating and helping the Bumiputera entrepreneurs to establish and develop their businesses. In addition, they also participate actively in providing business management and technical training

programmes, information on business aspects and financial support to the Bumiputera entrepreneurs.

Findings on cross-sex ties in various countries are significantly different between men and women. These are confirmed by this study. It shows that women are more inclined to include men (47.2 percent) in their personal networks than men who have fewer women (13.9 percent). This reflects the fact that business sectors are still dominated by men (Aldrich et. al., 1989) and the performance of women-owned businesses is generally poor (Staber, 1992). Men could provide them with moral, physical, and financial support, information about markets, labour forces, suppliers and technology. However, many women entrepreneurs utilise their spouse since he is also involved in the same business (see Q8.1/1, Q8.2/7 and Q8.3/17). The early discussion of financial support networks and how sources of information and advice are obtained (see Chapter 7) and the role of primary and secondary networks (see Chapter 8) explain these findings.

TABLE 9.5: PERCENTAGE TYPES OF OCCUPATIONS INVOLVED
BY ENTREPRENEURS' CLOSE NETWORK MEMBERS

Type of Jobs	Percentage close networks		
	All(a) (N=57)	Male(b) (N=32)	female(c) (N=25)
(1). Self-employed			
• in business area	54.7	62.8	44.2
• in non-industrial	9.8	9.6	10.0
(2). Working with			
• government agencies	25.0	19.3	32.5
• private companies	4.3	5.1	3.3
(3). Others	6.2	3.2	10.0
Total	100.0	100.0	100.0

Note: a. Total close network members for all is 276 persons

b. Total close network members for men is 156 persons

c. Total close network members for women is 120 persons

Furthermore, the pattern of the five network members found in Bumiputera entrepreneurial networks does not indicate any differences among men and women entrepreneurs. This again explains how the personal and social networks of the Bumiputera have emerged in family circles and are concentrated in the locality where they live. This also reflects the cultural characteristics of the Bumiputera community, where their families are extended and closed. In addition, families are normally dispersed within the same locality or the same state. They can reach their families who live only as far as an hour away, returning on the same day. A few members who have high levels of education migrate to the big cities, which are considered to be far away from their families.

Moreover, the Bumiputera community is also inclined to develop a social network with friends or acquaintances within their own locality (see Q8.1/3). They go to a similar school and establish play groups among them in the local community. The relationships in this case start at a younger age. They also participate in social works and religious activities which could extend their personal and social networks within their own community (see Q.2/8).

The majority of their economic activities is in the agricultural sector and therefore, they are likely to have a similar network composition and structure (Boissevan, 1974). In addition, the Bumiputera community usually celebrates the marriage festival by inviting not only family members and close friends but also distant relations and acquaintances (especially those in their locality). Therefore, the percentage of strangers in Bumiputera entrepreneurs personal networks is low and there is a roughly similar percentage between men and women entrepreneurs due to the social activities which bring them close together.

This discussion has demonstrated that the differences in network characteristics between men and women entrepreneurs are mainly due to the cultural and economic activities of Bumiputera community. As argued earlier, Bumiputera entrepreneurs utilise their personal networks which are embedded in social relations. The arguments also suggest that men are more active networkers and they tend to exploit anybody in their personal networks to win resources from their environment. Men in Malaysia have obligations and responsibilities to their families. They usually take a more active part in community activities and are involved in most major decisions. Therefore, with their existing roles and available social relations, they are able to exploit their personal networks for business purposes.

On the other hand, due to cultural constraints, women are more selective in the contacts and networks they make within their environment. In addition, women are not always accessible or easy to contact (Smeltzer and Fann, 1989). Therefore, they tend to include many men (mainly their relatives) in their contact networks since men are easy to contact and are already in business, and often in other sectors. In this case, Bumiputera entrepreneurs need to develop Bumiputera business communities so that they can network and gain resources from their own business people.

The commercial and business communities among Bumiputera people are just beginning to emerge. Therefore, to be successful in business they need role models as well as huge networks of Bumiputera business communities where they can establish business networks among themselves, especially during the early stages of their business venture. In addition, they also need to network with other ethnic groups. By increasing their network size and spending more time in talking to those who are in business, Bumiputera entrepreneurs actually exchange resources such as information, experiences, knowledge, ideas, money and so on. Accordingly, those who are more active in these networks have a better position for achieving success in their business venture (Aldrich et. al., 1987).

The above analysis clarifies the social structure and relations of Bumiputera entrepreneurs. Combining them with the quantitative and qualitative analyses in Chapter 7 and Chapter 8, the discussion can provide some basis towards understanding and developing the network concepts of Bumiputera entrepreneurs in Malaysia. Bumiputera personal networks have been categorized into primary, secondary and tertiary networks, based on management activities. These networks provide various support to them in economic and social activities. In the following discussion, the researcher attempts to explain the pattern of network ties of Bumiputera entrepreneurs.

9.2 Basic Structure of Entrepreneurial Network Ties

The social backgrounds and structure of the Bumiputera will to some extent, influence the networking process and activities of small firm entrepreneurs. It is necessary to note here that Bumiputera groups live in close community structures, especially in the rural areas, where almost all community members know each other. Many of the network members in the particular locality directly link among one another. Bumiputera community members are considerably closer (Table 9.1) since they are bound to the many social and religious activities in their locality. The majority of their economic activity is in the agricultural sector. People in agriculture

have a smaller network size but a higher network density and multiplexity (Boissevan, 1974). Some members of the Bumiputera community participate in business sectors but most of their firms are small in size (Malaysia, 1991d).

9.2.1 Network Ties With Families

The network ties among Bumiputera communities are primarily based on the family and kinship as well as friends in particular localities (see Q8.1/2 and Q8.1/3). These groups are considered to be "core networks" for many Bumiputera activities as well as other South East Asia indigenous groups (Lande, 1977). Family ties normally refer to the extent that families are important and network relations with these groups are compulsory (Cochran, 1993). Besides their own families, members of the Bumiputera communities normally expands their family relations when he or she gets married (see Q8.1/5).

In addition, relatives usually integrate vertically and horizontally with their family network circles and normally maintain network ties for up to three generations. For example, an entrepreneur will normally incorporate his or her family, father's family and first or second cousins in their network relations. This family relationship is also found in a study by Foster (1977) in Mexican villages.

Besides, if he or she gets married, the wife's or husband's families will then also be incorporated into his or her network circles. 'Conjugal' family relations are a common feature in many South East Asian societies (Lande, 1977). These extended families bring all relatives into a mass network pool (Cochran and Henderson, 1993) which can later provide huge support networks for the entrepreneurs, if these networks are properly tapped (see Q8.1/4 and Q8.1/5). Table 7.16 and Table 7.17 in Chapter 7 explain the structure of financial support as well as sources of advice and information from spouse, parents and family used frequently by Bumiputera entrepreneurs.

The above discussions of entrepreneurial family structures show that Bumiputera communities overall have a large network size. Besides, the network relations with their family members and relatives are considerably closer and denser (see Q8.1/2). Family activities such as the marriage ceremony usually bring close and distant families together in one place. The family structures are vertically preserved in such manner and formally maintain the close and extended relationships for some generations. For example, a daughter or son will address their father and mothers' brothers or sisters by a specific name. Meanwhile, their brothers' or sisters' children

will address a specific name to them. These relations are also however vertically extended to network ties with cousins. This kind of family structure provides huge support for a person in that community (Willmott, 1987).

Males play the dominant role in the Bumiputera communities and to some extent are formally empowered because of religious principles and family structures. That is why it was found in early discussions that men entrepreneurs are more active in their business activities due to the social obligations and responsibilities they are obligated to perform (see Chapter 7). As the relationships are multidimensional, the relationships between entrepreneurs and their relatives are also informally structured as friends in some other situations (Boissevain, 1974). Network ties in an Bumiputera entrepreneur's family structure are complicated.

In addition, the duration of network relations with relatives is considered long and stable (Larner, 1993) due to the social structure and relations embedded in the Bumiputera communities. The number of relatives in the same locality as an entrepreneur is considered large (see Q8.1/2). However, the arrangement of a family structure is expected to shift as the economic structure begins to evolve. The flow of the young generation to the industrial areas and cities has already occurred (see Q7.1/12 and Q7.1/13). This is likely to modify the social structure as well as the relations of the Bumiputera community (see Chapter 2). Wellman et. al. (1988) found that the ties among people in the East York communities in Canada are long standing, where many of these ties are kinship relations into which the two parties were born.

9.2.2 Network Ties With Friends

Friends, on the other hand, are those who are in the primary and secondary network groups as discussed in Chapter 8. Entrepreneurs have known these friends since they were small boys or girls. The interactions with these friends are likely to be frequent during the school day, religious practice, and social and play group activities. This discussion reflects on size, density and duration of network ties.

There are many friends in an entrepreneur's primary network and they are based in a similar locality (see Q8.1/4). The network ties with many of these friends are close, strong and dense (Table 9.1) (Wellman et. al., 1988; Larner, 1993). Social, family and religious activities normally gather the people within the locality and some other areas as well, in one place. In addition, the duration of relationships with primary friends is long and close as friends normally have multidimensional roles in relation to

entrepreneurs (see Q8.1/3) (Boissevain, 1974; Larner, 1993). In this case, friends in a primary network can provide a huge social resource for Bumiputera entrepreneurs, if they are properly utilised.

In contrast, friends in secondary networks are considered to be new friends to the entrepreneur (see Q8.2/2). Friendships within this group begin as casual acquaintances (see Q8.2/8). The relationship is formed, developed and maintained as individual ties grow stronger (Larner, 1993) because these friends have similar interests. Some of these friends have multidimensional relations (Boissevain, 1974; Willmott, 1987) and close network ties to entrepreneurs (see Q8.2/10). Many of them live in different areas from entrepreneurs and in diverse different localities (see Q8.2/5). Friends in secondary networks will provide a network pool to the Bumiputera business community which could be an asset for Bumiputera business development in the future (Table 9.5). However, the majority of the network relations of primary and secondary friends are both voluntary and informal in nature.

9.2.3 Network Ties with Government Agencies and Associations

As discussed in Chapter 7 the government agencies and associations also play an important part in the development of Bumiputera businesses. Their roles somewhat overlap. Government agencies are argued to be compulsory in performing their roles. The roles of associations are voluntarily and normally their activities are managed or supervised by the government agencies. Therefore, the roles of government agencies are more obvious and they actively participate in encouraging Bumiputera entrepreneurs (Malaysia, 1990a).

The implications for the entrepreneur's network structures are that these groups are small in size (Hand and Tomblin, 1993) and new to the entrepreneur (see Q8.2/1). The relationships are formal and multidimensional, particularly the government agencies which provide support such as finance, motivation, information, technical know-how, knowledge and advice to the entrepreneurs (see Q8.2/11). Many of these organisations are operated in the entrepreneurs' localities while a few are in towns (see Q8.2/8). Networking with these groups, especially with government agencies is argued to be crucial for the development of Bumiputera business (see Chapter 7).

9.2.4 Network Ties With Tertiary Network

The importance of the tertiary network for Bumiputera manufacturers is inevitable, especially networking with customers and suppliers. Bumiputera entrepreneurs

usually sell their products themselves (see Q8.3/14) or market them through distributors or shop-owners (see Q8.3/18 and Q8.3/19). The more customer outlets they have, the greater chances the entrepreneurs have to succeed in their business venture (see Table 8.3). Therefore, the numbers of customers are obviously large (see Q8.3/4 and Q8.3/10) and the majority of them are Malay customers (see Q8.3/21). These customers are located throughout the northern part of Malaysia (see Table 2.13 in Chapter 2).

In contrast, the number of suppliers is low (see Q8.3/27) and the majority of them are Chinese. The entrepreneurs usually started their business on a small scale. In the beginning of their business life, they usually network with the suppliers in their locality (see Q8.3/26). When the business grows they will search for the big suppliers who are normally in towns such as Alor Setar, Sungai Petani and Penang (see Q8.3/64). On the other hand, Bumiputera also have a small number of credit agencies due to the nature of business activities and structures (see Chapter 7). They usually have network ties with the credit agencies that operate in towns.

The relationships within the tertiary network groups are weak at the beginning of transactions (Formation and Development stages) and become strong when trust has come to exist between them (Maintenance stage). In this case, the relationship seems to be formal in business or trading network ties, because these are based on mutual agreement, since almost all transactions have no written agreement (see Q8.3/45, Q8.3/50 and Q8.3/60), except with credit agencies. The network of relationships with these groups is formal at the beginning of business transaction, however, as the relationships develop, the network relations will slowly emerge as informal network ties (see Q8.79) (Larson, 1991). Tertiary network members are mostly new in the entrepreneur's network circle. Some of them later become close friends with the entrepreneur, having multidimensional relations especially in mature businesses (see Q8.3/34 and Q8.3/62). All of those groups, if properly managed, can provide a huge social resource for Bumiputera entrepreneurs in the development of their business performance.

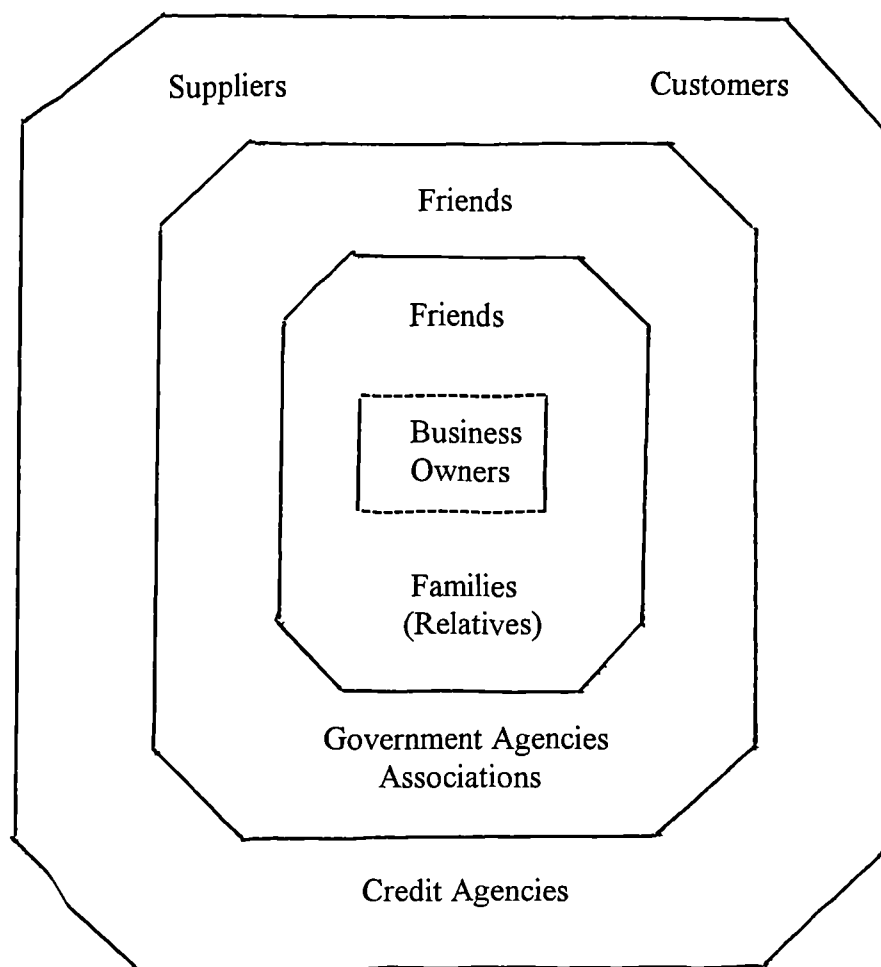
9.3 Configuration of Entrepreneurial Networks

The above discussion demonstrates the social configuration of entrepreneurs' networks and the development of their network relations and structures. It is found that the different network groups display different network structures in terms of formality, size, duration, relationship and locality with entrepreneurs. It is also found that the primary network is a majority group and close to entrepreneurs, where they

are usually the first people entrepreneurs go to for help or advice. As their business grows, the relationships with secondary and tertiary networks will evolve and begin to take shape.

Bumiputera business-owners actually enlarge their network circles (Figure 9.1) and incorporate more people into their personal networks as their business develops. In addition, if they decide to develop their business, they will certainly network with more customers to market their products to new market areas. They also seek to network with various agencies and friends, especially those friends who are also in business in order to look for business opportunities, financial aid, technical knowledge, information, advice and so on (see Chapter 7). Then their network circles will keep on growing. The more they network with people, the bigger their network circles.

FIGURE 9.1: THE CONFIGURATION OF ENTREPRENEURIAL NETWORKS



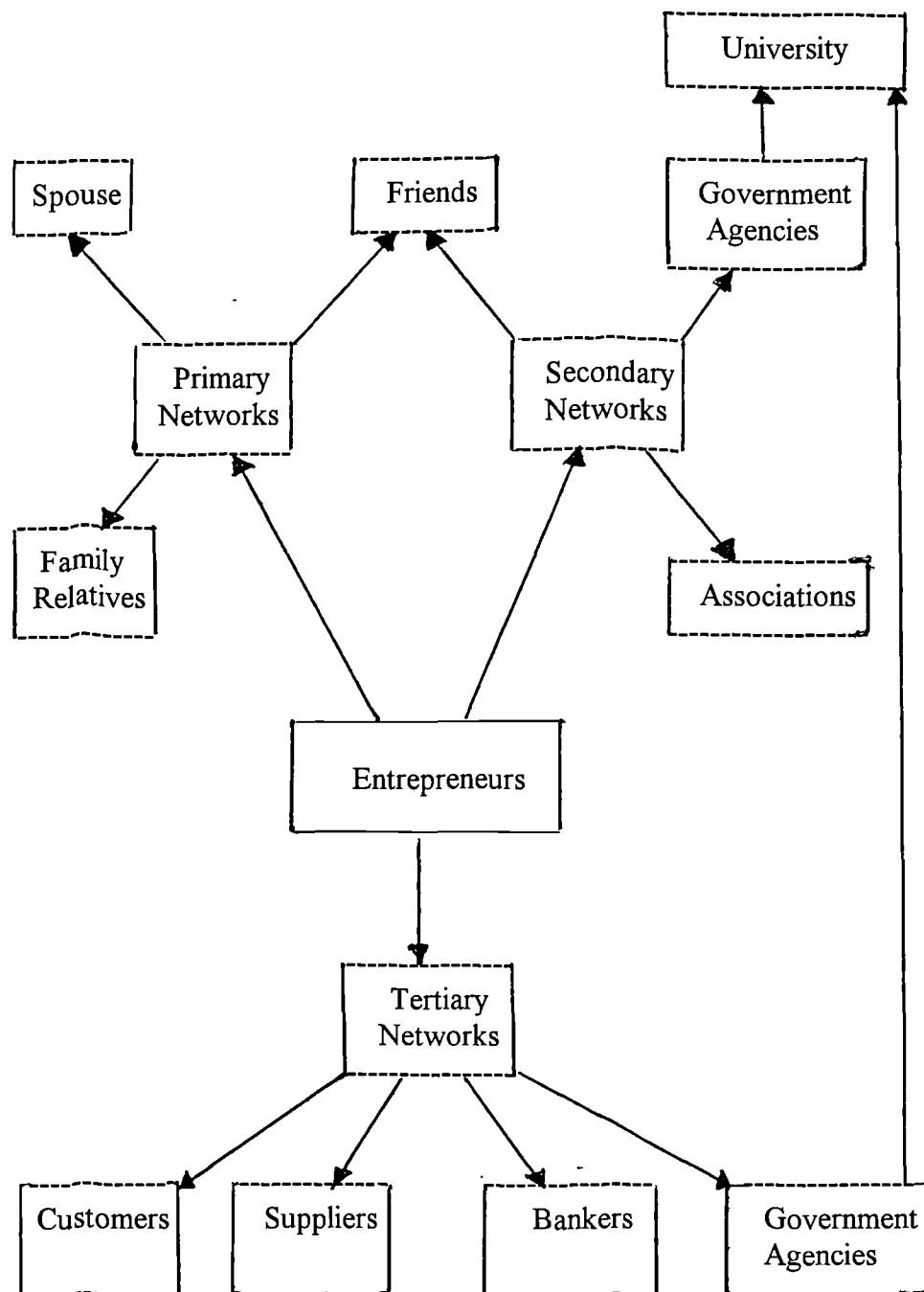
On the other hand, existing network relations with customers, suppliers, friends or people from agencies will slowly multiply to other relations such as friends, advisers, teachers and so on (see e.g. Q8.3/61, Q8.3/62, and Q8.3/64). The network relations with these network members continue as interaction increases over time and are later incorporated as core network members in the social network structure. In addition, increases in the family network probably happen through marriage. If this happens, the inner circle will increase in size. Then, the network ties become closer, stronger, denser and can provide more resources.

Throughout the discussion, various groups utilised by entrepreneurs for business purposes have been mentioned. The researcher also categorizes these groups into three groups according to the activities related to the management of relationships in Chapter 8. Entrepreneurs are urged to properly map these networks and understand their network structures in order to achieve effective management of these network groups for the development of their business performance. Here, the researcher attempts to map a general pattern of relationship between Bumiputera entrepreneurs and their personal networks (Figure 9.2).

The relationships with these groups (Figure 9.2) are inevitable for an entrepreneur's business. It is argued that Bumiputera entrepreneurs already have huge personal networks as the result of social activities and interactions. The number of people in Bumiputera entrepreneurs' network circles enables them to gain access to a variety of business support.

On the other hand, networks can also be seen as an obligation. For example, parents and relatives have an obligation to ensure their sons or daughters succeed in both life and career. They could provide immediate capital or other help to the entrepreneurs. Government agencies also have their own agenda. Their responsibility to create and develop Bumiputera business would leads them to provide financial and technical support, business information and knowledge, and other services. Banks have to comply with government regulation to allocate certain amount of their money for small businesses (their credit for small businesses is guaranteed by the government). Suppliers and customers have their own obligations to the entrepreneurs for the best interest of their own business. In all these cases the entrepreneur is expected, and needs, to return favours and ensure mutual benefits. Networks are therefore both resources and obligations.

FIGURE 9.2: A GENERAL PATTERN OF BUMIPUTERA ENTREPRENEURIAL NETWORKS



Many Bumiputera entrepreneurs have problems with various aspects of their business activities, and these problems then limit their business development. They can improve the business through their social networks since they have many people in their personal networks. However, they might be unaware of their social resources and some of them have failed to extend their network relations to certain network groups in their network circles. In addition, those who use their social networks probably do not effectively utilise those resources. Therefore, what they need is

knowledge of how to manage their personal networks which can be taught through training (Cromie and Birley, 1992).

9.4 Changing Patterns of Network Utilisation

Based on the age of a business, the researcher attempted to analyse closely the pattern of network utilisation of Bumiputera entrepreneurs. As discussed earlier, small businesses in Malaysia are labour intensive (see Chapter 2 and Chapter 6), particularly Bumiputera businesses in the study area. Therefore, those businesses which grow and develop are expected to have higher numbers of employees. Some early studies also attempt to relate the number of employees to business development and performance (Hall and Lam, 1982; Lafuente and Salas, 1989).

TABLE 9.6: A COMPARISON OF MALE AND FEMALE BUSINESS-OWNERS ON THE BASIS OF NUMBER OF FIRMS AND NUMBER OF EMPLOYEES.

Age of Business	<=10 years (N=41)	>10 years (N=16)
Number of firms		
• percentage: male	53.7	62.5
female	46.3	37.5
Number of Employees		
• mean: male	8.7	14.1
female	7.5	9.0

Men are reported to have a slightly higher percentage of employees in businesses which are ten years old or less compared to women. The differences in the number of employees becomes obvious for businesses more than ten years old. This reflects social and economic roles, where men are responsible for supporting the family as well having high business motivation. Men are reported to start their businesses earlier than women (see Q8.3/64). At the same time, the participation of women in business sectors nowadays has increased as a result of the roles played by some of the government agencies (see Q8.2/1). Table 9.7 summarises the above discussion.

TABLE 9.7: PERCENTAGE OF ENTREPRENEURS' CLOSE CONTACT NETWORKS

Network Groups	All(a) (N=57)	Male(b) (N=32)	Female(c) (N=25)
Primary	51.8	43.0	63.3 **
Secondary	36.2	41.0	30.0
Tertiary	12.0	16.0	6.7
	100.0	100.0	100.0

Note: **p<0.05

a. Total close network members for total study is 276 persons

b. Total close network members for all men is 156 persons

c. Total close network members for all women is 120 persons

The quantitative and qualitative information which has been discussed earlier explains that Bumiputera entrepreneurs normally network either with relatives or friends especially during the early stages of their business development (see Q8.1/2 and Q8.1/3). However, the pattern of the use of social resources seems to evolve as businesses grow over time (see Q8.3/50 and Q8.3/51). The variations in network groups utilised by entrepreneurs is related to the development of their business.

Generally, the majority of Bumiputera entrepreneurs use and depend on their primary and secondary networks in seeking help and advice (Table 9.8). Women are reported to discuss business mainly with the members of their primary network (63.3 percent). This reflects the discussion in Chapter 6, which suggested that women utilise their spouse, family and friends for business purposes. Many of the members of the primary network have no experience of business (see Table 9.5). Therefore, not much help is expected to be gained by entrepreneurs from these groups regarding business matters. In contrast, men also seek to exploit contacts with primary network members although not as often as women (43.0 percent). Further analysis by using the Wilcoxon test revealed that there is a significant difference ($p=0.034$) in the use of primary networks among men and women in Malaysia.

It was also found that for men about 41.0 percent of their close contacts were people in the secondary networks compared to 30.0 percent reported by women.. This network group mainly contains new friends who are also new in business (see Q8.2/3). These groups have some kind of business experience but their knowledge is limited. Additionally, those who are in secondary networks (either in associations or

government agencies) often do not have hands-on business experience (Malaysia, 1990a). Both groups have fewer people in the tertiary networks. Men however have 16.0 percent of their network members as tertiary while women reported only 7.0 percent.

It is interesting to analyse closely the five close network members in entrepreneurs' personal networks (Aldrich et. al., 1989) against two groups of business age (i.e. businesses 10 years old and less, and businesses over 10 years old). For a business of 10 years old and less (Table 9.8), women are reported to use about 64.5 percent of members in primary networks while only 47.2 percent are reported for men. In addition, men are reported to use 40.6 percent of secondary network members, while women only utilise about 32.3 percent of their members. The use of tertiary networks' members is very low among woman business-owners (3.3 percent) but slightly higher among men (12.3 percent).

A changing pattern of network utilisation occurs when a business develops and becomes more mature (Table 9.9). Generally, both men and women report a decrease in dependency on primary networks after ten years in business. A drastic fall is reported by men (34.0 percent) in the use of primary network members but only a slightly drop is recorded by women (60.0 percent). The difference in the utilisation of primary network members among men and women is statistically significant at 10 percent (Wilcoxon test $p=0.0987$).

TABLE 9.8: PERCENTAGE OF CORE CONTACT NETWORKS
FOR BUSINESSES 10 YEARS OLD AND LESS

Network Groups	All(a) (N=41)	Male(b) (N=22)	Female(c) (N=19)
Primary	55.1	47.2	64.5
Secondary	41.8	40.6	32.2
Tertiary	8.1	12.3	3.3
	100.0	100.0	100.0

Note:

- a. Total close network members for all is 196 persons
- b. Total close network members for men is 106 persons
- c. Total close network members for women is 90 persons

TABLE 9.9: PERCENTAGE OF CORE CONTACT NETWORKS
FOR BUSINESSES MORE THAN 10 YEARS OLD

Network Groups	All(a) (N=16)	Male(b) (N=10)	Female(c) (N=6)
Primary	43.8	34.0	60.0 *
Secondary	35.0	42.0	23.3
Tertiary	21.2	24.0	16.7
	100.0	100.0	100.0

Note: * $p < 0.1$

a. Total close network members for all is 80 persons

b. Total close network members for men is 50 persons

c. Total close network members for women is 30 persons

Men who are in a business more than ten years old also increasingly (42.0 percent) exploit the members of secondary networks. In contrast, a decline is recorded by women (23.3 percent). Furthermore, the use of tertiary networks' members seems to increase for a business older than 10 years. Women reported to use 16.7 percent, while men utilised 24 percent of tertiary networks' members. This changing pattern of use of close network members is encouraging, especially the use of tertiary network members because they are more experienced, knowledgeable and skilful in business areas which could help to develop Bumiputera businesses (see Q8.3/34).

The utilisation of entrepreneurs' personal networks can to some extent affect the business performance. Cooper et. al. (1991) found that a high usage of professional source of networks (accountants, attorneys and bankers) relates to greater likelihood of success. Thus, entrepreneurs are urged to seek advice and information from those with experience and knowledge in the business. Tertiary networks can give valuable information and advice since they are not only involved in business but also dependent on the entrepreneurs' businesses (see Q8.3/64 and Q8.3/65). The qualitative information explains the importance of this, especially during the development and maintenance stages, and particularly with suppliers. It is worth noting here that most suppliers in Malaysia are Chinese entrepreneurs. Chinese entrepreneurs have a strong business culture and networks as well as knowledge and experience in many aspects of businesses.

The patterns of dependency and utilisation of Bumiputera entrepreneurs are expected to vary during the development of their business and between men and women

entrepreneurs. Bumiputera entrepreneurs are highly dependent on primary network members during the formation and the early stages of the development of their business (see Q8.1/2 and Q8.1/4). However, the dependency on primary networks declines as their business grows. This is a good sign because they begin to understand and realise the value of social resources available for the enhancement of their business performance.

In addition, the need to establish connections or using them as bridges into tertiary networks also increases as business develops. In this case, entrepreneurs are expected to seek more networks with their customers by using intermediaries (see Sub-section 8.3.2 in Chapter 8). On the supplier side, they need to gain access to capital and other resource structures so that they can take advantage of these and tap available opportunities. It is necessary for them to exploit their social resources and establish connections to those resources and niches in opportunity structures (Aldrich and Zimmer, 1986; Aldrich et. al., 1990).

Bumiputera entrepreneurs need to be self-sufficient in maintaining the growth and stability of network relations. When they decide to expand their business, they not only enlarge their network circles but modify the patterns of variation and change the dependency on those network groups. In other words, any changing of business development could lead them to rearrange and readjust their network structure and relations.

9.5 The Changing Pattern of Network Utilisation and Business Development

It is interesting to investigate further both the use of entrepreneurs' personal networks and the development of their business. In this case, the researcher attempts to develop a two dimensional view of network utilisation i.e., business development against age of the business. Age of businesses relates to the number of years in business, where the early finding shows this variable has a significant effect on network size (Aldrich et. al., 1987). Business development is dependent on the number of employees since the nature of small firms in Malaysia is labour intensive. The researcher tries to relate these two dimensions to the network utilisation by entrepreneurs of their close business contact networks. In this case, it is helpful to map the distribution of the firms in these two dimensions and examine closely a few firms with a view to discussing their background and network utilisation (Figure, 9.3).

Firm A is owned by a male entrepreneur who has been about 8 years in the market and has 40 employees. He finished his schooling at primary level. He worked with his father in the same industry for about 19 years. He used many of his existing contact networks while working with his father. But most importantly he includes three of his Chinese suppliers in his close business networks. The other two are his family. All of his close network members are male who all know each other. During the last six months he talked to 12 people about his business matters. He is now only 39 years old.

Firm B is owned by a female entrepreneur who started her business about 8 years ago. Her husband was also involved in her business when the business started to develop. Both husband and wife are involved in agricultural activities and still involved in this sector while operating their business. The owner and her husband completed their school at secondary level. None of their parents is in business. The owner is 42 years old and gets support from her family in running her business. She includes three of her family members and two Malay suppliers in her close network members. All of her close network members are male, and some of them did not know each other (50 percent were strangers). She reported discussing about her business with 10 people during the last six months. Now she has 18 employees.

Firm C is owned by a man who finished study at primary school and is 57 years old. The firm is about 30 years old and employs 25 employees. Both of his parents are inexperienced in business. The owner includes a government officer in his contact networks and two bankers of tertiary networks and two friends of secondary networks who are also in business. One of his friends and close contacts is female and the other's are male. He reported that some of his close contact did not know each other (50 percent were strangers). He also reported talking to 10 people about his business matters during the last six months.

Firm D is also owned by a man. He completed his schooling at primary level and was involved in a business before venturing into his existing business. His mother rather than his father was in business. He ventured into this business about 20 years ago but has only 8 employees. It was interesting to talk with this entrepreneur since he had much experience about business and network relationships. He has no intention to grow his business because of his age (61 years old). He reported talking to about 20 people about business matters during the last six months. Of his five close network members, he includes government staff in his tertiary network, a Malay supplier, and family and two friends of primary networks. He also reported that all of his close

contacts are male of whom some did not know each other (50 percent were strangers).

Firm E is owned by a woman who already has five years in the business and has five employees. She completed her study at secondary school. Her family background is in the agricultural sector. She has five employees. She includes her spouse in her close network members, three friends of secondary networks and a member of government staff of secondary networks. All of her close network members know each other - three friends and a government staff are female. She is 46 years old and active in a farmer association, as well as political and social activities. She mentioned talking to about 10 people regarding business matters during the last six months.

Finally, firm F employs 7 employees and has operated in business since 1986. The owner is a male who holds a Malaysian Certificate of Education (secondary education). He is about 50 years old and worked in the government before venturing into this business. He includes his wife in his close business networks and four male friends from his secondary network. He reported having only six persons with whom he discussed the business matters during the last six months. All of her close network members know each other.

The above cases present an interesting scenario of background and network utilisation for small food manufacturing companies owned by Bumiputera entrepreneurs. The cases are used in the discussion as examples of the development stage of Bumiputera businesses. Figure 9.3 explains some variation in the development of Bumiputera businesses and network utilisation. Businesses in Box 1 (e.g. firm E and firm F) can be considered to be in a stage of development (10 years and less) struggling for the high development (for Box 3) and maturity stages (for Box 4). Many businesses in Box 1 employ less than 10 employees and are slow growing businesses. Some business people do not want their business to grow (Box 2). Perhaps the owners decide not to expand their businesses because the businesses have less than 10 employees (e.g. firm D) but are more than 10 years in the market.

The high growth firms (e.g. firms A and B) are shown in Box 3. Firms in this Box have 10 employees and more even though the businesses are only ten years or less in the market. These firms are having potential to develop into medium sized businesses. Box 4 represents maturity small firms which have existed for a long time (more than 10 years) and have between 10 and 30 employees. These kinds of firms maintain the development within the small business definition (e.g. firm C).

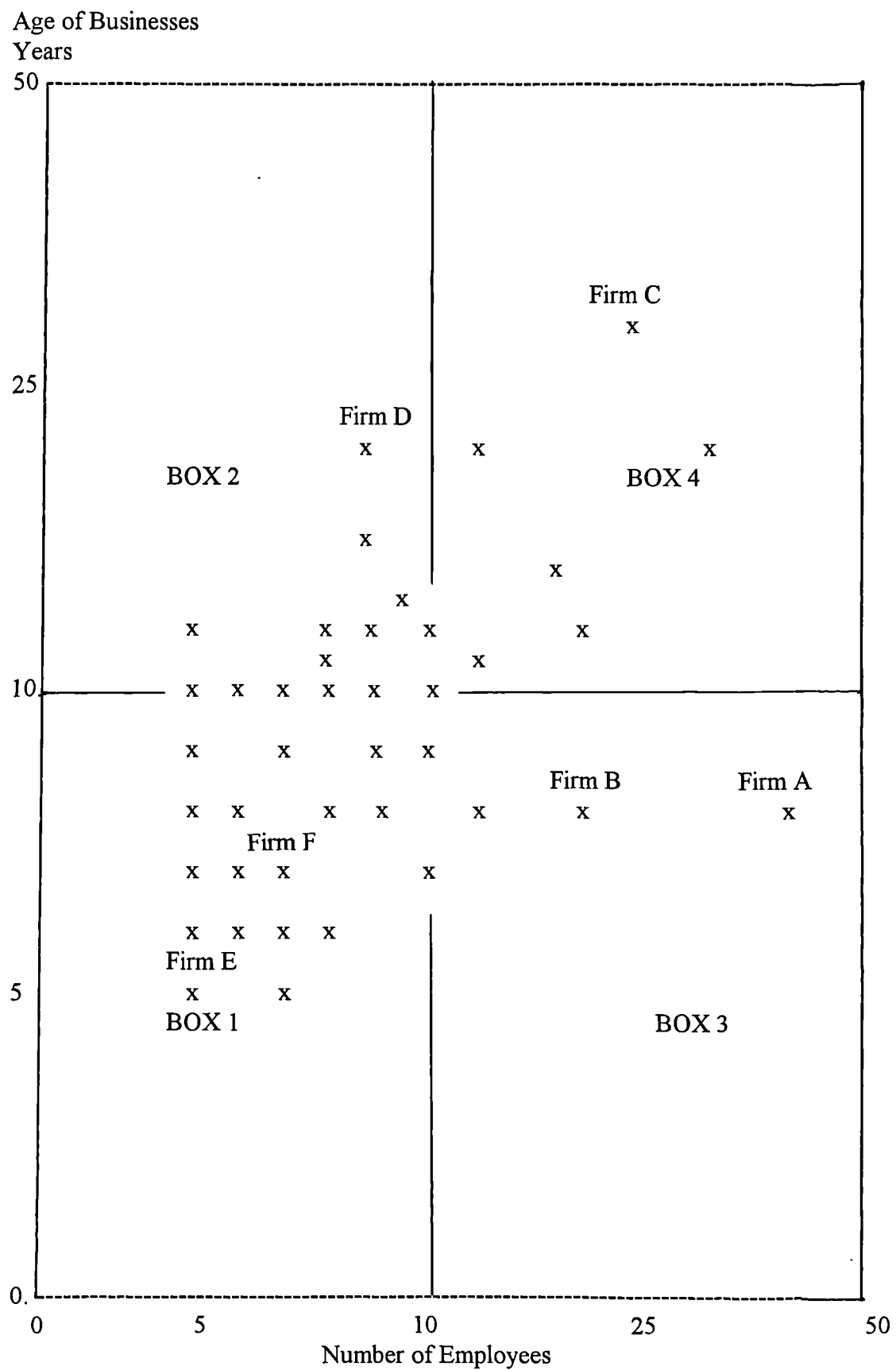
Box 1 represents majority of the Bumiputera businesses, as a newly developed business community (slow growth firms). Most of the firms are about ten years of age or less and have less than ten employees (Table 9 6). Entrepreneurs who have business in this Box are less experienced and less effective in utilising their social resources. The majority of them have a smaller network size and include a majority people in primary and secondary networks when discussing business matters. This perhaps reflects their social networks and relations as well as new businesses which (with a lack of experience and business culture) seek to carve niche to the near social resources (family and friends) for the development and survival of their business.

Some of them decided not to grow their business and remain unchanged in size even though they have existed in the market for quite some time. Over time, their business are illustrated by Box 2. Owners of businesses in Box 2 discuss business with some tertiary network members, but they still use people in primary and secondary networks as their close network members. Since the Bumiputera entrepreneurs are new, only a few food manufacturing firms are in this group. Due to the owners of these businesses having more experience in business and the fact that their relationships with some people of tertiary networks are already established for quite some time, they seem to have a high average of people in their personal networks and a high percentage of tertiary network members as their close contacts.

Firms in Box 3 have good prospects and high potential to grow in the future. Even though they are new in business, their capability at networking not only brings them nearer to network resources but attracts these resources closer to them, as a part of their network circles (see Q8.3/34). The owners of firms are reported to have a greater network size and include a high percentage of tertiary network members, as their close contacts with whom they can discuss business (see Q8.3/64). Interestingly, the owner of firm A explains that he includes three Chinese suppliers (tertiary network members) as his closest contacts. This explains the fact that the people who are in the entrepreneurs' networks (the quality of people in one personal network) will also contribute to business development.

Osgaard and Birley (1992) also found that owner-managers of high employment, growing companies have a large size of commercial network. Cooper et. al. (1991) found that a high usage of professional sources of networks (accountants, attorneys and bankers) relate to greater likelihood of success. In addition, networks developed before entrepreneurs ventured into business are also considered crucial for business development (Johannisson, 1986). Unfortunately, only a few of small Bumiputera manufacturers can be considered to belong to this group.

FIGURE 9.3: DISTRIBUTION OF SMALL FIRMS IN MALAYSIA
(AGE OF BUSINESSES vs NUMBER OF EMPLOYEES)



Bumiputera businesses are considered new, therefore, the number of them in Box 4 is limited. Those businesses in Box 4 are developed and considered to be at the mature stage, but within the small business' definition. They are also considered successful since their businesses have long survived in the market. Entrepreneurs in this group are also reported to utilise effectively members in their tertiary network during their business development but not as well as entrepreneurs in Box 3. The owners have much experience in many aspects of their business because they have already been in business for a long time. Their business has also reached maturity and now they are maintaining the stability of the business. Only few Bumiputera firms are in this group.

The implication of this discussion for Bumiputera businesses is related to the entrepreneur's vision (Filion, 1990). Entrepreneurs are urged to develop a clear vision and direction for their business for future development. Growth is necessary in business, but if entrepreneurs decide not to grow, they will move from Box 1 to Box 2 over time and remain in Box 2, where they are going nowhere. However, their business can be developed through utilisation of social networks (Aldrich and Zimmer, 1986) and if they decide to do so they may slowly move in the direction of Box 3 or Box 4. If this happens, their business will grow but the growth remains within the small firm definition.

On the other hand, entrepreneurs who have a clear vision will move slowly from Box 1 to Box 3. As they move to Box 3 they will incorporate and effectively utilise their various network groups for the development of business performance. Their business will keep developing and they will manoeuvre their business to Box 4 or perhaps develop the business to a medium or big size. Besides, they can also drive their business in a parallel way from Box 1 to Box 4 through effective utilisation of their personal networks. However, if they stop development of their business in Box 4, they have maintained small business status. Those businesses in Box 3 have a good chance to develop their business to a medium or large size.

Table 9.11 supports the discussion where it is found that the owners of businesses in Box 3 have a high average number of people (9.6 persons) in their personal networks (refer to network size as defined earlier in this chapter) as compared to the other boxes. Experienced entrepreneurs whose businesses are represented in Box 2 and Box 4 do not exhibit much difference on network size (7.9 persons vs 8.3 person) but are less than Box 3. Owners of business in Box 1 discussed business with only about 6 people during the last six months. The above findings show that

entrepreneurs whose business is in different boxes are not identical in utilising the number of people who they discuss their business (Kruskal-Wallis test $p=0.0111$) and this has an impact on their business development.

TABLE 9.10: NETWORK UTILISATION, AGE OF BUSINESSES AND BUSINESS DEVELOPMENT

Network	Box 1 (N=34)	Box 2 (N=9)	Box 3 (N=7)	Box 4 (N=7)
Size (means)	6.3	7.9	9.6	8.3 **
Primary (%)	58.6	46.7	51.4	40.0
Secondary (%)	40.7	31.1	14.3	40.0
Tertiary (%)	2.5	22.2	34.3	20.0 ***

Note: ** $p<0.05$

*** $p<0.01$

Besides discussing their business with more people, entrepreneurs who do business in Box 3 also utilise a high percentage of people in tertiary networks as their close contacts. It is explained that entrepreneurs in Box 3 can gain access to more people as well as those people who are experienced and knowledgeable in business. On the other hand, they tend to replace people who are in secondary networks by getting close to the people in tertiary networks for the development of their business performance. They also use a high percentage of people in primary networks and are more securely networked with this group reflecting that they are new in business. Perhaps they are more confident networking with the persons they know, who are close and with whom they have multiple relationships, than new friends with whom the relationships have just begun.

The use of tertiary network members by entrepreneurs whose business fall in Box 2 and Box 4 is about the same (22.2 percent vs 20.0 percent) but slightly different in the use of secondary network members (31.1 percent vs 40.0 percent). Due to fact that these businesses have operated for a long time in the market, they are expected to have more people in their secondary networks, since people in secondary networks are available in their business networks. On the other hand, the utilisation of people in primary networks is reported in less than 50 percent of cases by these businesses.

They also use a slightly higher percentages of people in tertiary networks, but not as effectively as entrepreneurs whose businesses are in Box 3.

In contrast, entrepreneurs whose businesses are in Box 1 not only include fewer people in their personal networks but also include fewer people of their tertiary network as their close contacts. However, they tend to discuss business with more people in their primary and secondary networks. Their business is considered to be in the development stage but they are not effective in using their personal networks, and this could limit their business development. Perhaps they need skills and knowledge in order to be more competent in networking activities.

The discussion of the utilisation of people in tertiary networks provides some interesting results. It is found that entrepreneurs differ in terms of utilising their tertiary networks (Kruskal-Wallis test $p=0.0015$) among their close contact members. Entrepreneurs in Box 3 include a higher percentage of persons in tertiary networks as their close contacts followed by entrepreneurs in Box 2 and Box 4. Those who are in Box 1 utilise their tertiary network members the least.

People in tertiary networks are customers, suppliers and bankers who to some extent have experience, knowledge and skills in running or dealing with business matters. These groups are expected to provide good network support for the entrepreneur, especially Chinese suppliers since they have already spent a long time in business and have wide experience, knowledge and network relations in the business community. This is not to deny the importance of other network groups for Bumiputera businesses but the use of tertiary networks is essential for the development of Bumiputera businesses in the future.

Obviously, further interpretation of the above findings explains that the role of the entrepreneurs' personal networks for the development of business is inevitable. In reality, the researcher agrees that many factors might influence the development of the small firms. However, one may argue that the business may develop first in order for the network to be developed. Perhaps others are more concerned with the other aspects of business development such as psychological factors of entrepreneurs (see Chapter 3), background of entrepreneurs, managerial and technological issues of the small firms, and favourable external environmental elements for small firms to develop. To some extent, this case seems to be true where it is found that the businesses which are more than ten years old (Box 2 and Box 4) and developed businesses (Box 4), speak to many people. At the same time, the owners of the

businesses in those Boxes include a high percentage of people in their tertiary networks.

However, further analysis in the study demonstrated a strong case that networks need to be developed for the growth of the businesses. Businesses which are ten years and less (Box 1 and Box 3) demonstrated a contrasting result. Businesses in Box 1 (slow growing businesses) explain that the owners of these businesses failed to use and manage their personal networks effectively. They spoke to relatively few people who usually have similar backgrounds and did not have experience in business. The owners of businesses in Box 1 may slowly develop their business and perhaps later develop their networks. In contrast, businesses in Box 3 are also new but fast growing businesses. The fact is the owners of these businesses (Box 3) were able to use and manage their personal networks effectively for the development of their businesses.

Further comparing the firms in Box 3 (new and high growth businesses) with the firms in Box 4 (developed businesses) and Box 2 (survival businesses), shows that entrepreneurs whose businesses in Box 3 are more active in networking and talk to a variety of people. On the other hand, businesses in Box 1 are also new but the owners do not effectively use their networks. Although businesses in Box 3 are new the owners managed to develop their businesses in line with the old and developed businesses (Box 4), and better than the businesses in Box 2, through effective utilisation of their personal networks. The owners of these firms (Box 3) spoke to many people and they included a higher percentage of tertiary network members in discussing their business matters (Table 9.10). In this case, the owners of the new and high growth businesses (Box 3) form and develop networks for the development of their businesses.

In other words, business can be developed through the development of social networks (Aldrich and Zimmer, 1986, Johannisson, 1988a). The evidence (Table 9.10) in this study strongly supports the importance of entrepreneurs' personal networks for the growth of small firms. This results in a business operated in a dynamic environment where all of its resources need to be properly managed, including networks. Johannisson (1990) concludes that an entrepreneur's personal networks provide the entrepreneur with the ability to trade upon ambiguity, supply perspectives and experience needed for structural changes and to promote growth. It has to be mentioned here that the small firms in Malaysia have similar environmental elements and face common problems (see Chapter 2, Chapter 6 and Chapter 7). The scope of this study is however focused on the network issues where the other factors

related to the business development are considered constant. Therefore, the analysis of an entrepreneur's personal networks must be seen as a strong variable related to the business growth.

In conclusion, the main thing is to decide whether or not the owners want their business to grow. If they decide they want it to grow, they are likely to develop a business vision and seek to network with more valuable social resources, especially people in tertiary networks. The findings show significantly that the owners of high growth businesses as well as businesses which have been a long time in the market have large personal networks and high percentage of tertiary network members as entrepreneurs' close contacts.

Therefore, Bumiputera entrepreneurs are urged to be active in networking activities, and need to manage their business well and also systematically manage their networks of relationships in order to enhance business development. In this case, networks seem to be required at all stages of business development for a new business community. It is essential that Bumiputera entrepreneurs understand and map their valuable networks and then develop their business through social networks. The following chapter attempts to summarise the important findings, practical implications and recommendations for the development of Bumiputera businesses in Malaysia.

CHAPTER 10

10.0 CONCLUSIONS, PRACTICAL IMPLICATIONS AND RECOMMENDATIONS

Discussion in this Chapter begins with the conclusions on the findings of this study. Based upon the findings, this Chapter also suggests some practical implications, a framework for the development of Bumiputera personal networks and recommendations on how Bumiputera entrepreneurs can develop their business through effective utilisation of their personal networks. Suggestions for future study are also presented in the end of this Chapter.

10.1 Conclusions

The strength of this research lies in the methodology employed where both qualitative and quantitative data were used in explaining the network issues. Both data are complementary and convergent in the results, and add scope and breadth to the study (Creswell, 1994). The qualitative data was used to explore some knowledge and understanding of the networking process and utilisation by the small firm entrepreneurs. In addition, the area of business networking is considered new and networks are seen as primarily a cultural phenomena. Therefore, the network issues must be interpreted along with other aspects of culture and the wide range of social relations for which the use of qualitative data is necessary (Boissevain, 1974; Curran et. al, 1993).

However, as the study of entrepreneurial networks develops, researchers (Aldrich et. al., 1989; Nelson, 1989; Cooper et. al., 1992; Cromie and Birley, 1992; Staber, 1993) attempt to explain network issues by using quantitative design. Since this study utilised some variables developed by early researchers (Aldrich et. al., 1989), quantitative data was also used to explain the network issues with the other aspects of social background of the entrepreneurs. The use of this design provides a basic analysis and comparison with the pervious findings in other parts of the world. Both qualitative and quantitative data can be compared and allowed the researcher to check the validity of the findings. The combination of these techniques provides broadly consistent data and generalisation can also be made by increasing the number of cases (Hakim, 1986; Bryman, 1989). The mixed methodological design which is also known as triangulation provides advantages to the researcher and

enables the researcher to understand, the network issues in his own cultural environment and the concept being tested and explored more easily (Creswell, 1994).

In summary, this study has explored the importance of personal networks for the development of Bumiputera businesses. The findings explain the richness of social resources of Bumiputera entrepreneurs from which they can benefit if these resources are properly tapped. Entrepreneurs who represent their firms have demonstrated that interaction with the people surrounding them is necessary in order to gain business resources (Johannisson, 1984; 1988a; Birley, 1985; Aldrich et. al., 1987; Fillion, 1990; Rasmussen, 1992). Successful entrepreneurs are able to manage and utilise their personal networks effectively for the development of their business.

Based upon the nature of relationships, network members of entrepreneurs can be categorised into three groups (Chapter 8). Primary networks consist of people who have had relationships for a long time, have strong network ties and share many different activities with the entrepreneurs. Parents, spouses, relatives and old friends are included in this group. Secondary networks comprise new friends, associations, and some government agencies who indirectly help to develop the Bumiputera business community. Tertiary networks consist of some of the government agencies (which are directly involved in developing Bumiputera businesses), bankers, customers and suppliers. Based upon the results of the data analysed in this study, the important findings can be summarised as below.

Firstly, the most valuable finding for the development of Bumiputera businesses is related to the utilisation of people from whom entrepreneurs can gain business resources, experience, skill, knowledge, information and so on. It is found that those entrepreneurs who include a high percentage of tertiary network members as their close contacts experience a direct effect on their business performance and development (Chapter 9). Cooper et. al. (1991) also found that a high usage of professional sources of networks (accountant, attorneys and bankers) relates to greater likelihood of business success. In addition, Osgaard and Birley (1992) found that owner-managers of high employment growing companies have a large size of commercial network. In this case, the owners of high growth businesses spent some of their time discussing business matters with people of tertiary networks. The owners whose businesses were more than ten years old also reported having a higher percentage of tertiary network members, but slightly lower compared to high growth business. The qualitative information discussed in Chapter 8 also supports this finding which explains the importance of people of tertiary networks for the growth of Bumiputera Businesses. Therefore, it is essential

for Bumiputera entrepreneurs to include suppliers, customers, bankers and government staff as their close business contacts.

Secondly, the majority of Bumiputera entrepreneurs used their relatives and friends (close ties) in order to help them to overcome some of their business problems (Boissevain, 1974; Birley, 1985; Dunkelberg et. al., 1987; Smeltzer and Fann, 1989, Nelson, 1989; Cooper et. al.; 1991; Hand and Tomblin; 1993). The use of primary network members is inevitable since the relationships with these people have already existed for a long time during social and economic activities in the community (Light, 1972; 1984; 1974). Relatives and friends are normally utilised by entrepreneurs during the early stages of their business or when the business faces disaster (Knight, 1988). The qualitative evidence in Chapter 8 demonstrates the importance of these network members and supports quantitative information in Chapter 7 and Chapter 9.

Thirdly, the number of people in the entrepreneurs' personal networks has an impact on the growth and survival of Bumiputera businesses (Chapter 9). In this case, entrepreneurs of high growth businesses reportedly talk to many people about their business matters (Aldrich et. al., 1987). Experienced entrepreneurs also discuss their business with many people, but slightly less than entrepreneurs of a high growth business. In addition, some of the experienced owners did not want to expand their businesses even though they had been in the market for more than ten years (Johannisson, 1991). In contrast, business owners of low growth businesses talk to fewer people about their businesses. The conclusion is that - the greater size of entrepreneurs' personal networks, the greater the impact on the development and performance of Bumiputera businesses. This seems to be true in that by having more people in a personal network, entrepreneurs can gain access to a variety of support which can benefit their business (Aldrich et. al., 1987; 1989; Cromie and Birley, 1992).

In addition, gender differences are also demonstrated to have an impact on network size (Chapter 9). It is found that men are more active networkers and include more people in their personal networks. Women, in contrast, have fewer people in their personal networks which limits their access to business assistance and support. This is because of cultural constraints where women entrepreneurs still experience domestic obligations and do not have such easy access to strangers compared to men. Moreover, men have obligations and responsibilities to provide basic needs, as well as a prosperous life for their families as far as they can. In this case, men appear to be more active either in business or in networking activity.

Fourthly, the finding also demonstrates that women are increasingly including more men in their personal networks (Chapter 9). At the same time, men include few women as their close network members. The result of cross-sex ties appears to be significantly different between men and women in Malaysia. A similar pattern of cross-sex ties was also found in the studies in the US and Italy (Aldrich et. al., 1989), Northern Ireland (Cromie and Birley, 1992), Sweden (Johannisson, 1988b) and Canada (Staber, 1993). The finding of cross-sex ties in Malaysia reflects the cultural issues, where men are dominant in many social and economic activities. In addition, men have long existed in the business sectors. Women are new in business, therefore, they appear to network with men especially among their own family and relatives, as well as friends of their own sex (Chapter 7 and Chapter 9). In this case, the use of men by women as their personal network members is essential and could lead to the development of their businesses.

Fifthly, the model proposed for managing networks of relationships demonstrates a crucial impact on the development of entrepreneurial businesses, especially during the development and maintenance stages (Chapter 8). The relationship between entrepreneurs and tertiary network members are clearly explained in the stages of the proposed model. Networks between entrepreneurs and the members of primary and secondary networks are embedded in the social relations of Malaysian society (Boissevain, 1974; Granovetter, 1985). This explains why some management functions are absent from the primary and secondary networks. The development and maintenance stages are crucial in networking management where entrepreneurs demonstrate that they can gain benefits from good relationships with their personal networks (such as business information, credits, advice, social support, money, profit, and so on) especially when trust between parties exists (Johannisson, 1988a, Dubini and Aldrich, 1991; Larson, 1992).

In addition, the model also explains the importance for Bumiputera entrepreneurs to develop and maintain a good relationship with their tertiary network members, particularly with Chinese suppliers. As discussed in Chapter 2, Chinese entrepreneurs have dominated the business activities for decades and in all business sectors. They have large and strong business networks among business communities and strong business culture as well (Yarmbert, 1981; Light, 1984; Boissevain and Grotenberg, 1986). This gives them advantages to control many business resources - in this case the majority of the raw materials suppliers for the small firms are Chinese. The qualitative analysis has shown that the owners of growing firms as well as long survival firms benefit from a good relationship with these suppliers. They gain benefits on the price, quality, availability and on time delivery of raw materials, access to the other resources (other suppliers and financial institutions),

credit on raw materials purchases, increased knowledge and skill in managing business, business information and ideas. Therefore, a good network of relationships between Bumiputera entrepreneurs and tertiary network members of other ethnic business communities, especially Chinese suppliers, are important for the future growth of Bumiputera businesses. In this case, the entrepreneurs need to understand the nature of relationships (with their social resources) in order to manage their personal networks effectively.

Sixthly, Bumiputera entrepreneurs are considered new to business (10 years old or less). Their business culture has just begun to develop as a result of the government policy to create a "Bumiputera Commercial and Industrial Community." Since they are new to business, they are reported to face many problems especially financial problems and in management related areas (Clapham, 1982; Malaysia, 1990b; Mohamed, 1988; Mohd-Nasser et. al., 1990; Faridah et. al., 1990). The majority of them have a low level of education and do not have much experience in managing a business (Malaysia, 1990b; Mohamed, 1988; Mohd-Nasser et. al., 1990; Faridah et. al., 1990). This is discussed in Chapter 7 - it is found also that the majority of Bumiputera entrepreneurs use their own savings to finance their businesses, and that some of them borrow the money from close network members (family and friends), as well as loans from government agencies. Women use the government agencies more closely while men use both banks and government agencies as sources of financial support.

Seventhly, because they are new to business, Bumiputera people are believed to have few role model networks among their kinship as well as people of their community. Role models not only provide examples but are also able to provide a pool of network support members of their own community and other ethnic communities (Light, 1974; 1984; Yarmbert, 1981; Boissevain and Grotenberg, 1986). With more people in business, Bumiputera entrepreneurs could easily network among their own people (and similar cultures) and help to gain access to markets, business information, knowledge, skill, and ideas. In this case, the community can provide support networks for the establishment and development of the businesses of its own people. Chapter 6 demonstrates the background of the entrepreneurs and the structure of their businesses which to some extent reflect the economic and social activities of the Bumiputera community.

Eighthly, it is found that government policy plays an important role in structuring the Bumiputera entrepreneurial networks. The participation of government agencies in developing Bumiputera businesses helps to encourage Bumiputera entrepreneurs to be close to government staff and establish network relations with

them. By establishing relationships with the government agencies, Bumiputera entrepreneurs can gain access to financial support, market, education, technical, advice and information for their business development. The above finding has been emphasised in the discussion on literature in Chapter 2 and supported by discussion in Chapter 7 and Chapter 8.

Ninthly, in general, Bumiputera entrepreneurs are not aware that they have a huge social resource that can benefit their business. Their social structure and relations show that they have a large circle of personal networks. The findings in this thesis demonstrate that all the people surrounding entrepreneurs can provide valuable resources which could enable them to accomplish their business goals if these resources are properly tapped. People of primary, secondary and tertiary networks can in some way support the development of their businesses but entrepreneurs need to be skilled in managing and utilising these groups whenever necessary.

10.2 Practical Implications

Throughout out the discussion on literature, analysis and conclusions, the researcher has demonstrated the importance of entrepreneurs' personal networks for the development of their business. In the following discussion, the researcher attempts to show some practical implications for the development of small firms, particularly for the new business community as experienced by Bumiputera entrepreneurs in Malaysia.

First, as a new business community in Malaysia, Bumiputera entrepreneurs can develop their business through social networks (Aldrich and Zimmer, 1986; Zimmer and Aldrich, 1987; Johannisson, 1984; 1988a). It is necessary for new businesses to seek to carve niches in social resources (Zimmer and Aldrich, 1987) for their development and survival. It has been shown that it is necessary for Bumiputera entrepreneurs to be close to their family (and some friends of the primary networks) as a base for them to support the early stage of their business development, and during difficult times (Birley, 1985; Knight, 1988; Smeltzer and Fann, 1989; Nelson; 1989; Cooper et. al. 1991). In addition, Bumiputera people should also establish connections with the resources and niches in an opportunity structured (Aldrich et. al., 1987) of which many are available in the tertiary networks, and some in secondary networks as well. In this case, Bumiputera entrepreneurs need to prove that they can succeed in business if they are given opportunities to compete and given access to capital and other resources. This is to gain the confidence and trust of the society (especially people of tertiary

networks such as bankers, customers and suppliers) demonstrating that Bumiputera can conduct good business, parallel with other ethnic entrepreneurs. Therefore, it is essential for the Bumiputera people to utilise their social resources for the creation and the development of their businesses (Holt, 1987, Johannisson, 1987a; 1988a; Aldrich et. al., 1987).

Second, it is necessary for Bumiputera entrepreneurs to manage people in their personal networks. In managing their networks, Bumiputera entrepreneurs are required to identify the nature of relationships with network members (Larson, 1992; Dindia and Canary, 1993). Entrepreneurs need to prolong the relationships with their network members and keep those relationships in a good condition (Dindia and Canary, 1993). It is necessary to mention that the experiences of Bumiputera entrepreneurs demonstrate that networks require investment (e.g. money, time, energy, knowledge, etc.) (Boissevain, 1974; Welch, 1980; Chin-Lee, 1993), exchange (e.g. materials, information, knowledge, moral support, experience, etc.) (Laumann and Pappi, 1976; Cook, 1982; Hakansson and Johanson, 1992; Hertz, 1992), multiplicity of relationships (e.g. business partners, friends, family, teachers, creditors, etc.) (Boissevain, 1974, Aldrich, 1989; Filion, 1990; Cooper et. al., 1989), trust and commitment (e.g. business transactions, loan from family or friends or bank, etc.) (Johannisson, 1988a; Aldrich, 1989; Curran et. al., 1993), interdependence between entrepreneurs and their network members (especially with suppliers and customers), and also require a stability in the relationship (Rasmussen, 1992; Curran et. al.; 1993) which needs to be maintained for future use. It is necessary for the Bumiputera entrepreneurs to plan, establish, develop and maintain relationships with their network members.

Third, Bumiputera entrepreneurs require to include more people and increase the diversity of people in their personal networks. By doing this, they can access a variety of people who have different kinds of resources (Granovetter, 1982; Aldrich et. al. 1987). For example, family can provide the initial capital for business (Boissevain and Grotenberg, 1986; Zimmer and Aldrich, 1987; Price and Monroe, 1992), new friends who are also in business can provide business information and government agencies can provide knowledge, skill, credit or markets; and so forth (Malaysia, 1990a). This implies that entrepreneurs should spend more time in building networks with people who have a wide set of competencies (Aldrich, et. al., 1989; Cromie and Birley, 1992). The structure of the Bumiputera community demonstrates that Bumiputera have a wide set of people including family, friends, government agencies, business communities, business trainers and so on, with whom they need to engage personally in order to increase their personal network circle. In addition, they need to develop trust in

relationships in order to obtain business support (Johannisson, 1988a; Rasmussen, 1992; Curran et. al., 1993). More people with a wide set of competencies in entrepreneurs' personal networks will provide a variety of resources (Aldrich et. al., 1987) for the development and survival of Bumiputera businesses.

Fourth, women entrepreneurs in a new business community should welcome men in their personal networks (Aldrich et. al., 1989; Cromie and Birley, 1992; Staber, 1993). Women perhaps need to break cultural limitations by invading male networks whenever possible. This is because many men are already in business and men are also dominant in other sectors such as finance, consultancy, service, government agencies (which deal with entrepreneurs), and so on (Malaysia, 1991c). However, women should not deny the importance of networking with members of their own sex which will create strong ties and promote social supports and connections (Smeltzer and Fann, 1989). Women in Malaysia aggressively participate in the labour force either in public or private sectors which could provide them with a pool of female networks. Women in modern sectors of the economy (particularly industrial and service sectors) will normally have connections with men of similar or other sectors. Therefore, female business-owners should make an effort to establish networks with women in modern sectors in order to gain access to male networks. The study demonstrates that women include about 47.2 percent of men as their close network members with whom they can discuss their business matters, and from whom they can obtain support.

Fifth, it is compulsory for Bumiputera entrepreneurs to include people of tertiary networks as their close contact members with whom they can discuss their business matters. The high growth businesses demonstrate that they are keen to be close to these groups not only so that they can benefit from the business transactions (Cooper et. al., 1991; Ostgaard and Birley, 1992) but also so that they can also obtain information, knowledge, skill, motivation and other support (Aldrich et. al., 1987; Nelson, 1989; Dunkelberg et. al., 1989; Cooper et. al., 1991). As a new business community, Bumiputera entrepreneurs need to learn from people who have experience in business and many of them are in this network group (especially Chinese suppliers). The evidence from qualitative and quantitative data demonstrates the implication of utilisation of tertiary network members for the survival and development of high growth businesses.

Sixth, the literature on ethnic minority businesses (discussed elsewhere in this thesis) demonstrates that networks among their own people are important for their businesses (Light, 1972; Yarmbert, 1981; Boissevain and Grotenberg, 1986; Zimmer and Aldrich, 1987). This study also demonstrates the same implication

where Bumiputera entrepreneurs normally utilise resources from their own ethnic community. Bumiputera communities in this case, help to develop their people's businesses, particularly in the food industries - Bumiputera community members prefer 'halal' food which is produced by their own people. In addition, most of the people in their personal networks are Bumiputera people, and they also market their products to a majority of Bumiputera customers, since the majority of Bumiputera live in the study areas. Therefore, Bumiputera entrepreneurs obtain most of their support (such as labour force, money, market, raw materials, moral and so on) from their own people. However, the use of other ethnic groups is also important for the growth of their businesses.

Seventh, belonging to a new and minority ethnic business environment, Bumiputera entrepreneurs have a lack of business culture. The role played by government agencies to some extent is essential for the creation and development of new businesses among ethnic communities (Malaysia, 1986; 1990a; 1991c). It is found that networking with government agencies provides a variety of support for the entrepreneurs such as money, education, advice, market, skill, information and so on. Therefore, it is important for the Bumiputera entrepreneurs (new entrepreneurs) to be close to government agencies and to continue to utilise these agencies for the development of their businesses (Aldrich and Waldinger, 1990).

10.3 Development of Personal Networks of Bumiputera Entrepreneurs

The creation and development of Bumiputera businesses is closely related to the social and economic structure of the Bumiputera community and government policy (figure 10.1) (Malaysia, 1986; 1991c). It is clearly discussed in Chapter 2 that the unbalanced participation of ethnic groups in economic activities, and social segregation between ethnic communities, in the long term will lead to a fragmented and less secure nation, and provide an unsatisfactory ground for foreign investment. Therefore, the government has introduced the new economic policy with the overriding objective of fostering national unity and nation building. The government attempts to achieve this objective through the eradication of poverty and the restructuring of Malaysian society. The policy provides a broader framework for achieving socio-economic objectives through various sectors including the promotion of small scale industries, particularly among the Bumiputera people.

The majority of Bumiputera people live mostly in rural areas and engage in agricultural sectors (Malaysia, 1986) - they are reported to have highest percentage

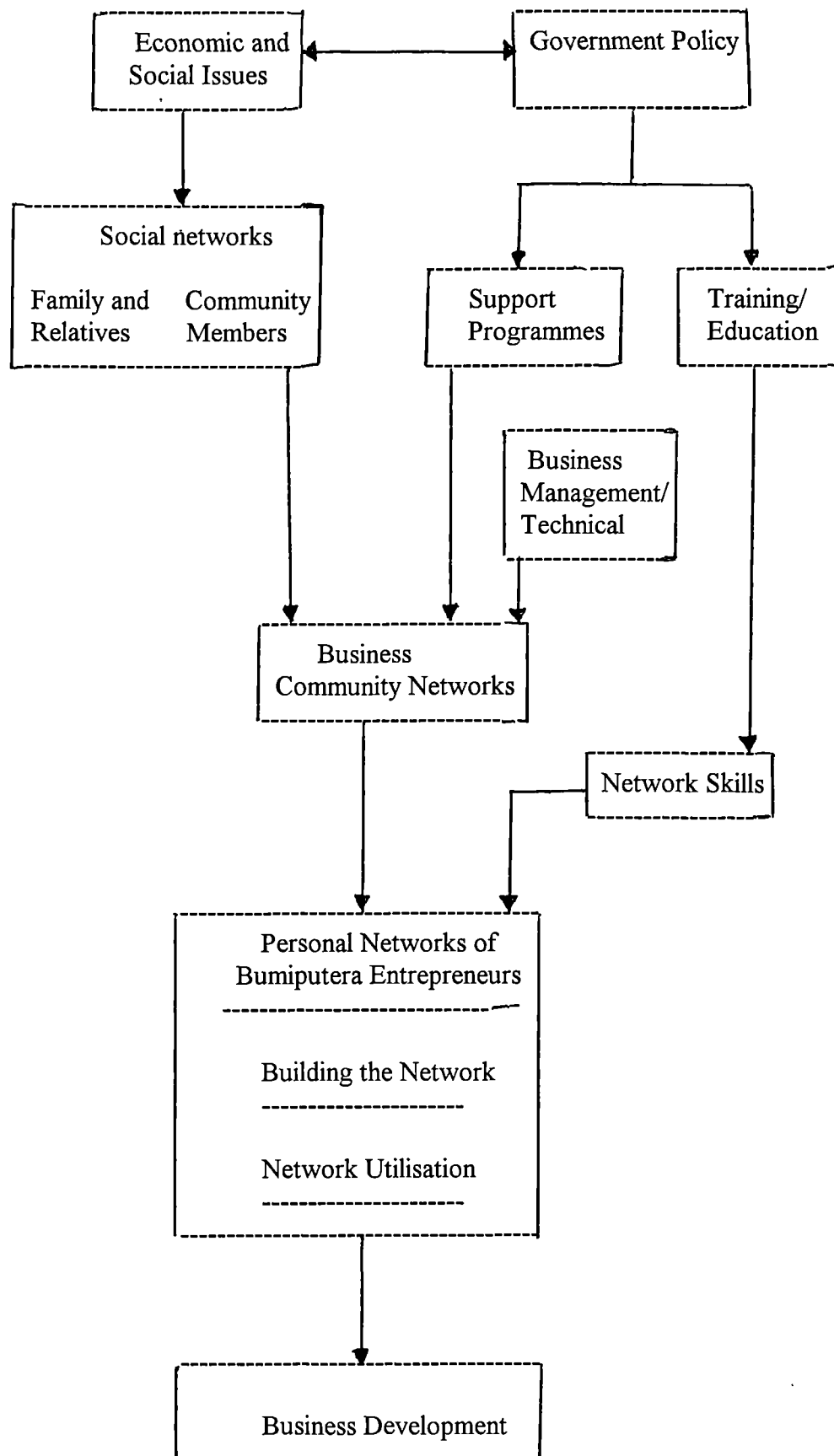
(23.8 percent) of poverty compared to the Chinese (5.5 percent) and Indians (8.0 percent) (Malaysia, 1991c). The government strategy is to encourage Bumiputera to participate actively in business sectors in order to eradicate poverty and restructure the Malaysian society. Nevertheless, the government policy leads to the transformation of Bumiputera's social structure and relations. Social networks of the Bumiputera community are embedded in the social relations generated from social and economic activities.

In this case, Bumiputera people tend to network with their family and community members, and have smaller networks but higher network density and multiplexity. However, government policy in some way affects their network structure and relations. Bumiputera people who previously networked among their own people within their locality, have extended their network relations to the business community in towns and other areas. Their personal networks are more diverse, larger in size, which can provide them with huge network resources for their business development (see Chapter 2).

In addition, the government also provides support programmes (such as credit, location, machine, market, education, information and so on) which in some ways can enable entrepreneurs to establish connections with business friends, customers, suppliers, creditors, government staff, trainers, and consultants. A pool of business community networks is created through business activities as well as through government programmes and can provide entrepreneurs with huge network resources. What is more important is to educate them (through training programmes) with networking skills to enable them to manage their personal networks systematically and utilise them effectively for the development of their businesses.

Perhaps two major levels of networking management for entrepreneurs to take into consideration are; first, building the networks (planning and establishment stages) and second, network utilisation (development and maintenance stages) (Aldrich, 1989). In the first level, entrepreneurs need to identify their present networks by listing people who are close to them (such as family and friends of primary networks), people who are directly involved with their business (customers, suppliers, bankers and government agencies of tertiary networks), and those who are indirectly involved, but perhaps could be of benefit to their business (new friends, associations and some government agencies of secondary networks).

FIGURE 10.1 A FRAMEWORK FOR DEVELOPMENT OF BUMIPUTERA ENTREPRENEURS' PERSONAL NETWORKS FOR THEIR BUSINESS DEVELOPMENT



A greater size and diversity of people in an entrepreneur's personal networks will provide entrepreneurs with a rich variety of resources (Aldrich et. al., 1987). This is important for the development of entrepreneurial businesses where the study demonstrates that network size has implications for business development and performance. For example, people who are close to the entrepreneurs (strong ties) can provide business assistance and sources of financial support; while the others (weak ties) can lead the entrepreneurs to access information and resources available outside their own social circles.

After identifying the existing network, perhaps entrepreneurs could expand their personal networks by actively participating in social activities (such as joining organizations, involvement in voluntary jobs, and other community activities), introducing themselves and their business to the people (using business cards or other means), attending seminars and training programmes, participating in business exhibitions, and collecting business cards or noting the names and other particulars of new people in a diary (friends, government staff, entrepreneurs, bankers and so on) with whom entrepreneurs first meet (Welch, 1980; Chin-Lee, 1993). It is necessary for the entrepreneurs to increase their network diversity by building contacts with a variety of people who have a wide range of resources and expertise (Aldrich et. al. 1987; 1989). All the particulars of these contacts must be kept properly in perhaps a network management book.

For the development of the business, entrepreneurs will selectively utilise people in their personal networks at a particular time for a particular purpose. The utilisation of certain people in personal networks is referred to as the second level of networking management which includes the development and maintenance stages as discussed in the early model. The study demonstrates that the use of people of tertiary networks has an impact on business development. However, people of primary and secondary networks are also important for the Bumiputera entrepreneurs because these groups can provide business assistance and immediate financial support when it is necessary.

Network utilisation requires the development and maintenance of relationships between parties, especially with tertiary network members as they are new members and have a direct impact on the business. Perhaps entrepreneurs need to understand the principles and practical aspects of networks - that they consume resources (such as money, time and knowledge); that they are a two way exchange process; that they require a commitment in exchange (especially in business contract); that trust is required between parties and that they are interpersonal in that entrepreneurs need to understand the other parties.

Networks also require entrepreneurs to have a vision for their business, openness and flexibility, self-confidence and self-disclosure, must understand the situation and opportunity, have the ability to get along with people, altruism and amiability, gratitude and persistence. Bumiputera entrepreneurs need to be equipped with a solid base of skills and abilities to be successful at networking. These skills can perhaps be acquired through experience and hard work, but a training programme is a good grounding for entrepreneurs to acquire the systematic skills and develop abilities in this subject (especially for Bumiputera entrepreneurs who have low level of education). Therefore, networks are a resource which requires management. Good management of networking can ensure the development of Bumiputera Businesses. Figure 10.1 relates the discussion on how Bumiputera businesses can be developed through the development of their personal networks.

10.4 Recommendations

The above discussion enables the researcher to introduce of recommendations for the authorities, entrepreneurs and researchers who are intending to deal with this subject. First, it is recommended that government agencies which are involved in developing entrepreneurs consider in their training programmes the teaching of networking skills as separate modules for the entrepreneurs, besides the existing business management subjects (such as marketing, finance and account, business planning and organization). Perhaps curricula for networking skill courses can be developed, that will allow the entrepreneurs to know their strengths and weaknesses in business, and specifically in networking skills. This will help them to visualise their purpose in running a business and to learn the pragmatics of seeking assistance and support from their social resources. The course should be able to equip the entrepreneurs with the understanding of business environment elements and social resources, and with the principles and practical aspects of networking skills which can be used by entrepreneurs for the development of their businesses.

Second, it is argued that the government staff who are involved in developing Bumiputera entrepreneurs do not have hands-on experience of running their own businesses. Therefore, it is essential for the agencies to equip their staff with business management education, including networking skills. These staff are close to the entrepreneurs and authoritative in giving assistance and support for the development of Bumiputera businesses. In this case, they should have the skills to stimulate and impart some knowledge to the entrepreneurs since they are change agents for the Bumiputera business community.

Third, it is suggested that authorities provide network centres which would enable entrepreneurs to network among themselves. Due to the level of education of

Bumiputera entrepreneurs, the organizers of the networking centres should emphasise clearly the existence of the centres and provide activities through which entrepreneurs can interact with each other. Some agencies organise "a business show or market" (once or twice a year) in different regions but the purpose and importance of networking is not incorporated in the objectives of those particular occasions. Perhaps this corresponds with the second suggestion that the government staff should also be taught and equipped with networking skills.

Fourth, entrepreneurs are urged to actively participate in associations and other voluntary social activities. Entrepreneurs can easily increase and diversify contacts by joining one or more associations. It is necessary for entrepreneurs to join business societies especially those associations which consist of multi-racial members. These kind of societies can provide fertile grounds for making contacts and gaining access to a variety of resource people.

Fifth, networks across ethnic communities are essential for the Bumiputera entrepreneurs especially with Chinese entrepreneurs, since Chinese entrepreneurs have strong business networks and control many business resources in Malaysia. In addition, entrepreneurs need to keep in regular contact with resource persons for example by sending greeting cards or visiting these people during "Hari Raya" for Malay, Chinese New Year for Chinese and "Depavali" for Indian. It is important for a new business community to learn the art of doing business from other people who have been in business for centuries and have a strong business culture.

Sixth, entrepreneurs also need to attend seminars, workshops, training programmes, and to participate in business shows. These are the places where they can meet many people with a wide set of competencies. Perhaps people who they meet in these programmes can provide assistance and support to their business. Even though these activities require some form of investment (such as money, time, energy and so on), they provide opportunities and rewards, if not now then in the future. Entrepreneurs need to be open, self-confident and amiable, introducing themselves to others, and to collect business cards or particulars of new contacts during those programmes.

Seven, networks are a resource which need to be managed. Entrepreneurs need to keep the name and other particulars of their personal networks in perhaps "a networking management book." This book is likely to contain information about personal network members such as name, address, telephone number, history of relationships, resources available, background of contacts, and so on. New and old contacts from associations, markets, business shows, seminars, meetings, and so on

need to be properly recorded in this book for future reference. In other words, this book is a summary of personal contacts, perhaps similar to a book of 'who's who' of entrepreneurs' personal networks.

Eight, since the research in this area is relatively new, the following recommendations are suggested for the improvement and further study on entrepreneurial networks.

- Conduct similar studies with other groups of entrepreneurs in other areas of Malaysia as well as in other industries.
- Conduct similar study with entrepreneurs from different cultural backgrounds (across ethnic businesses).
- Develop a research instrument that allows more rigorous collection of data which includes all the people directly and indirectly involved in Bumiputera businesses and investigate the development of relationships.
- Perhaps researchers need to conduct a study before an entrepreneur ventures into business and after a few years in business because the network requires time to develop.
- Conduct the study not only with entrepreneurs but collect some information from their network members.
- Of the above suggestions, perhaps a longitudinal design is more suitable in investigating this issue. The longitudinal design could determine the changing pattern of network utilisation because networks are dynamic and the development of networks of relationships requires some time.

Finally, the research on entrepreneurial networks has shown that networks and networking have implications for business performance and development. However, not much research has been carried out in this area and serious study only started in the 1980's (Johannisson, 1984; Birley, 1985; Aldrich et. al., 1986; 1987; Casrud et. al., 1987; Cromie and Birley, 1992; Curran et. al., 1993). Such research is not given serious attention in developing nations where small businesses are important in providing employment and eradicating poverty in the society. This research has successfully utilised the network concepts as new variables which affect business performance and development. In other words, the findings of this study have contributed to the current understanding of small firms literature. It is to be noted again that entrepreneurs can develop through social networks (Aldrich and Zimmer, 1986; Holt, 1987; Johannisson, 1988a) and the community can help to boost businesses among their own people. Since network functions affect business performance and development, the rewards in undertaking research in this area are well worth the effort.

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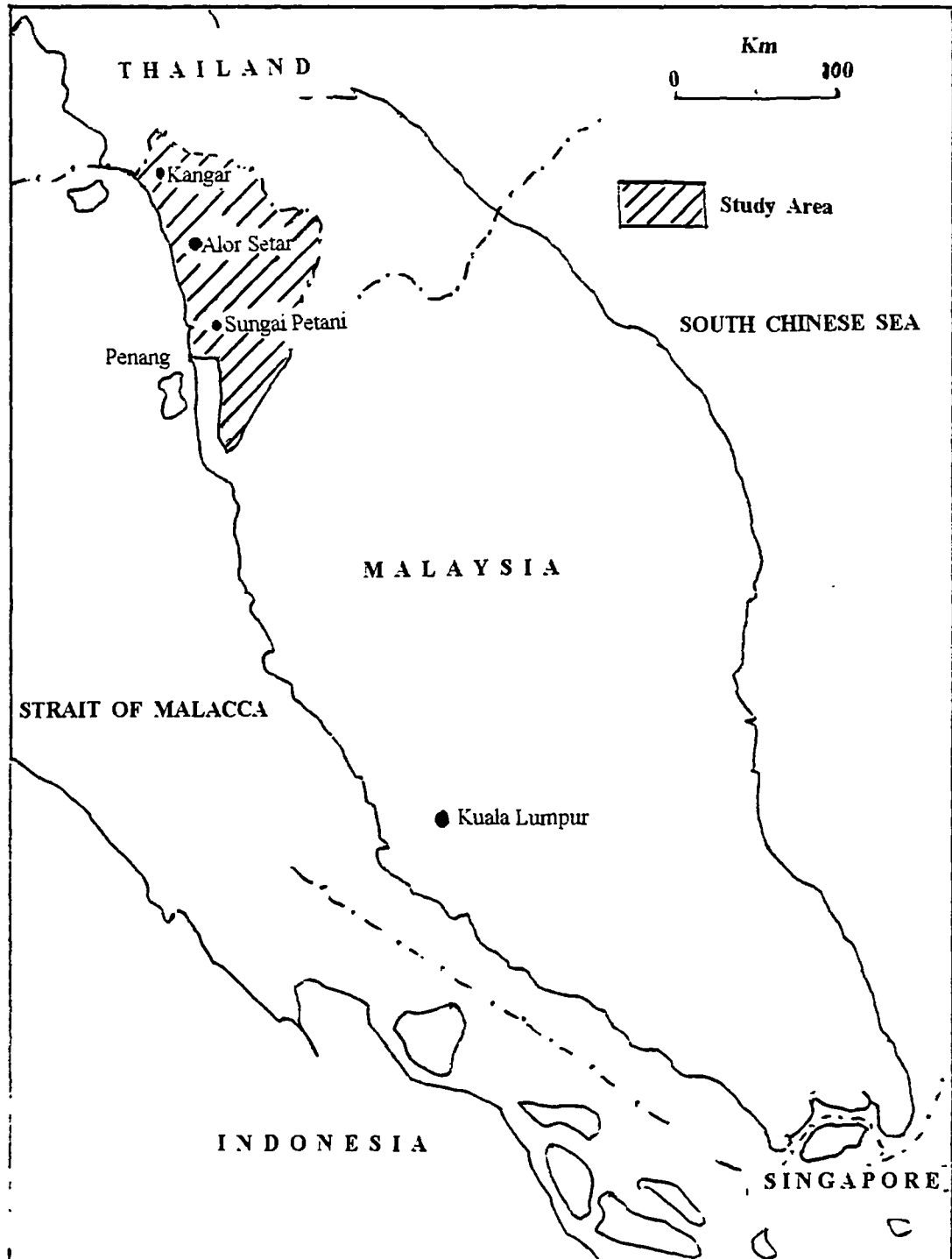
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APPENDICES

APPENDIX A



INTERVIEWED GUIDE

A. BACKGROUND OF ENTREPRENEUR AND THE FIRM

STRUCTURE QUESTIONS

1. Gender: _____
2. Locality: _____
3. Type of Business: _____
4. How old are you? _____
5. Are you married? _____
6. How many children do you have? _____
7. What is the highest level of formal education you have completed?

8. How many years of formal education have you received?

9. What is your father's occupation?

10. What is your mother's occupation?

11. What was your last job before becoming involved in this business?

12. Did you have any previous experience of operating your own business?

13. How many years have you been in this business?

14. Did you establish this business?

15. What form does your business take?

16. How many employees do you have?

17. How many of your family members work with you?

18. How many hours on average do you work for your business per week?

19. Do you normally plan your business?

20. Do you have business cards? Why?

21. Do you keep the names and addresses of your business contacts?

B. ABOUT NETWORKS AND RELATIONSHIPS OF ENTREPRENEURS

OPEN DISCUSSION

22. Can you describe to me how you started this business?

23. What problems do you face during the operation of your business?

24. How do you solve your business problems?

25. From whom do you seek help and support for your business?

26. Are you registered as a member of any associations?

27. What type of business education training have you received?

28. Who are the people (groups) you think important and directly involve in your business development? (Spouse, parents, family, friends, customers, suppliers, bankers, government staff and others)

Each of the group mentioned are discussed separately.

Open discussion with spouse/parents/relatives/government staff (agencies)

29. How did they help you in developing your business?

30. How did you establish a relationship with this group?

31. Did you plan the relationship before you meet this group?

32. How did you develop a relationship with this group?

33. How do you maintain a relationship with this group?

Open discussion with customers/suppliers/credit institutions

34. How did you establish the relationships with this group?

35. Did you plan to contact this group?

36. Did a business transaction with this group occur immediately after the first meeting? Why?

37. What do you normally negotiate before a transaction takes place?

38. How did you develop a relationship with this group?

39. How do you maintain a relationship with this group?

40. What benefits and help did you obtain from this group?

C. USE OF NETWORKING (NETWORK CHARACTERISTICS)

STRUCTURE QUESTIONS

From time to time, most people discuss important business matters or business plans with other people. Looking back over the past six months:

41. With how many people would you estimate you have discussed aspects of running your own business over the past six months?

_____ people

42. Please indicate up to five (5) people with whom you feel especially willing or able to discuss business matters about running your current business? (use name, initials or pseudonyms)

- (1) _____
 (2) _____
 (3) _____
 (4) _____
 (5) _____

43. How many hours per week do you spend discussing business matters with all of them?

_____ hours

44. Please think about the relationships between the five people you named above (question 42). For each pair, indicate the relationship between these two people as far as you know it.

	strangers	somewhat acquainted	well acquainted	not sure
persons (1) & (2)	1	2	3	4
persons (1) & (3)	1	2	3	4
persons (1) & (4)	1	2	3	4
persons (1) & (5)	1	2	3	4
persons (2) & (3)	1	2	3	4
persons (2) & (4)	1	2	3	4
persons (2) & (5)	1	2	3	4
persons (3) & (4)	1	2	3	4
persons (3) & (5)	1	2	3	4
persons (4) & (5)	1	2	3	4

45. Information about the persons you named in question 42.

Contact persons					
Information	1	2	3	4	5
a. gender					
b. race					
c. relationship with you					
d. occupation					
e. other					

D. CRITICAL INCIDENT

OPEN DISCUSSION

46. Can you recall any incident(s) that has happened to you regarding your relationship with people or events where the incident affected your business activities?

47. How did this happen?

48. How did you cope with this situation?

49. With whom did you discuss this problem?

APPENDIX C

AN EXAMPLE OF INTERVIEW TRANSCRIPT.

(Translated from Malay language)

Interviewer	:	ABH
Interviewee	:	Owner-operator (PSR)
Gender	:	Female
Location of the firm	:	Rural
Type of business	:	"Kerepek Pisang" (Banana Crisp)
Time of interview	:	10.30 am. - 12.15 pm.
Date of interview	:	11 April 1994

ABH: First of all, I would like to explain about myself and my research. I am a member of staff of Universiti Utara Malaysia, Sintok, currently pursuing my Ph.D. at University of Glasgow, Scotland. "Puan" (Mrs.), you have been chosen for my study and I hope you will participate in the discussion. For your information, the purpose of this study is to understand the people (such as family, friends, suppliers, customers, bankers, trainers, etc.) who you think are important and are involved in helping the development of your business, as well as the relationships between you and these people. I would like to learn from your valuable experience about the above issues and all information will be treated as confidential and will be only used for the purpose of my study. I will start the discussion by asking about your background and your business.

A. BACKGROUND OF ENTREPRENEUR AND THEIR BUSINESS

ABH: How old are you?

PSR: 42 years

ABH: Are you married?

PSR: Yes, I'm married

ABH: How many children do you have?

PSR: 2 children

ABH: What is the highest level of formal education you have completed?

PSR: Malaysian Certificate of Education (MCE)

ABH: How many years of formal education have you received?

PSR: 12 years

ABH: What is your father's occupation?

PSR: farmer

ABH: What is your mother's occupation?

PSR: housewife

ABH: What was your last job before becoming involved in this business?

PSR: I helped my husband on the farm (planting rice)

ABH: Did you have any previous experience of operating your own business?

PSR: No

ABH: How many years have you been in this business?

PSR: 8 years

ABH: Did you establish this business?

PSR: Yes

ABH: And you are the owner of this business?

PSR: Yes, this business was registered under my name

ABH: How many employees do you have?

PSR: 18 employees

ABH: Are there any of your family (relatives) who work with you?

PSR: Yes, four of them

ABH: How many hours on average do you work per week?

PSR: About 15 hours. But I worked about 20 hours during the early days of the business.

ABH: Do you normally have a formal plan (written) of your business?

PSR: I don't have any written plan. When the customers want the product they will order from us and we can produce as they ask.

ABH: Do you have business cards? Why?

PSR: Yes, I have them because I need to tell people about my business.

ABH: Do you keep the names and addresses of your business contacts?

PSR: I keep them in my diary.

B. ABOUT NETWORKS AND RELATIONSHIPS OF ENTREPRENEURS

ABH: How did you start this business?

PSR: I started this business on a small scale about eight years ago. At that time I did everything by myself. I got the material from the local shop and sold this product to local people. The demands on this product began to increase in the second year of the business operation. At that time, I couldn't cope with those demand. My husband helped me and joined the business.

ABH: What does your husband do in your business?

PSR: My husband and I worked together in developing the business. He helps me in producing and selling the product.

ABH: What problems do you face during the operation of your business?

PSR: The main problem is money. I faced this problem especially during the early years of business operation.

ABH: Any other problems?

PSR: Employees turnover and problems with the health agency regulation.

ABH: From whom you have seeked help to overcome your business problems?

PSR: Most of the problems I solve with my husband. My father and brother also help us in the business.

ABH: From where did you get financial support?

PSR: I used my own savings in operating the business but my father and brothers also lent us some money for this business.

ABH: What about the employees problem?

PSR: I have problems with employee turnover. The big firms in Sungai Petani can offer a good salary and benefits, so many of them prefer to work there.

ABH: How do you solve this problem?

PSR: I have to hire elderly women because not many young labour forces are available in the rural areas. I believe that the elderly women are more committed to their job due to the fact that they have settled down with their family in this area. However, I also had problems with labour turnover among them. They were quietly leaving the job. Therefore, I needed to go to their homes and ask them why they were leaving their job. They told me that they had problems with the members of their work group. I promised to solve this problem by changing them to another group. Then, they came back to their job and they seemed happy with the new work group. I have to be careful with them because it is hard to get a work force and many young people prefer not to work in the rural areas.

ABH: What about the problems with the health department?

PSR: Actually, their demand is too expensive for us because they need us to put cement on the floor in the production area. But we will comply with their rule perhaps in the future because we still need money for the business operation.

ABH: Who helped you in solving this problem?

PSR: My husband and I discussed this matter with their officers. We will comply with their requirement in future.

ABH: You mentioned that your father and brothers helped you in solving some of your business problems. What other help do you get from your father and brothers?

PSR: They also give moral support and information about business. My father usually advises us to be honest in doing business and to pay "Zakat" (a small amount of money contributed to the poor people or particular groups from the business profit/assets) when our business makes a profit. He also helps me in calculating the amount of Zakat we need to pay. My brothers normally give me information about the customers and he also tells people about my business. They are happy when we succeed and we also help them when they need our help.

ABH: Do they give any other support?

PSR: Well, they stay near to me and we meet everyday. If I need their help, I go and talk to them.

ABH: Have you registered as a member of any associations?

PSR: I am only a member of a farmer's cooperative.

ABH: Did you plan to join this cooperative?

PSR: Actually, a cooperative officer came to visit us one day and explained the social and economic activities that can be carried out if we formed a women's agriculture group under the supervision of the cooperative. When we formed this group, we carried out many activities such as nursery classes, health classes, hand craft and knitting activities as well as food processing activities which I am involved in now. A group of us responded to this suggestion.

ABH: Did you know the member of this group?

PSR: They are all my friends. We stay in a similar locality and attended the same school.

ABH: Does this cooperative help you in your business?

PSR: They give me encouragement and sent me to attend a short course on food processing in MARDI.

ABH: How did the relationship with this cooperative develop?

PSR: I only participate with the activities organised by this cooperative through our women's agriculture group. When we meet in the group, we discuss our activities.

ABH: How do you maintain the relationship with this cooperative?

PSR: My relationship with the staff of this cooperative is very good and I renew my membership every year and am involved in their activities.

ABH: Have you attended any other business training programmes?

PSR: Yes, I also attended short courses organised by KEDA on book keeping, marketing and business management.

ABH: Did you plan the relationship with this agency?

PSR: I did not really plan the relationship with them but one day, their officers visited me and explained that they help small business like me. At the same time they offered me a short course on business management.

ABH: How was the relationship with this agency developed?

PSR: What I have done to develop as well as maintain the relationship with this agency is to participate in the training courses they organize. I don't lose anything in responding to their programme. Their officer sometimes visits my business and asks about the development of my business. I entertain them and offer them a cup of tea. I think all business people like me need to be close to government agencies which are involved in helping us in business.

ABH: What other benefits do you obtain from your relationship with this agency?

PSR: Knowledge and moral support for us to continue our business. During the courses we meet many friends who are also in business and share experiences and exchange ideas as well.

ABH: Do you continue to contact these friends?

PSR: So far I have not contacted them but may be in future I shall.

ABH: Any other people do you think directly help you in developing your business?

PSR: I have two suppliers who are very cooperative and honest in doing business. I usually discuss business with them and they give me moral support. They are like my relatives. One of them I called "Pak Ngah" and the other one I called "Pak Long" (Pak Long and Pak Ngah are titles which nephews or nieces normally call their father's elder brothers) because my relationship with them is very good.

ABH: How did you contact them?

PSR: At the beginning of the business, I only got material from local suppliers like banana, flour, sugar and cooking oil because our business required only a small amount of raw materials. When the business developed I needed more input especially bananas. Other inputs I can easily get directly from a local supplier (Pak

Ngah). But banana is a crucial input because its price will rise during its off season and its hard to get them. My husband and I tried to get a supplier who could constantly supply the business with bananas. Since we need a large quantity of this material, we kept looking for a big supplier who could continuously supply me with this material. Then, my husband's friend informed us about the supplier with whom are now we dealing.

ABH: What do you normally negotiate before transaction take place with these people?

PSR: I normally negotiate price, quality, availability and delivery of inputs. If I am not happy with the price and quality I do not order. Our main aim is to get a good supplier. The suppliers usually give a good price and service to me because I am a big customer for their businesses. I like to do business with Pak Long and Pak Ngah because they are honest and can be trusted.

ABH: How did you develop a relationship with these people?

PSR: Normally when I am satisfied with the price and quality of products, I will continue buying from the same suppliers. We had good cooperation in the early days of our business and the relationship developed with every order I made. The price and quality of banana offered by the supplier are stable. He also puts in an effort to develop the relationship by giving me extra bananas during the fruit season and sometimes he gives other types of fruit to my family. He usually sends the product himself almost every week.

ABH: He never raises the price?

PSR: No. They have stuck at the price we agreed upon since three years.

ABH: How do you maintain your relationship with this group?

PSR: I do the same thing as I did in the early days of our relationship. I continue buying from them and follow the business conditions which have been agreed before. I pay them cash in every transaction and they are very happy with that. What is important is to maintain the relationship with my suppliers and to make them trust my business. I have pay them promptly, honest and loyal in business. When trust in relationships exist, the problems of raw materials can be overcome and I gain benefits from a good relationship with them.

ABH: What benefits do you gain ?

PSR: For example, as I said earlier, during the off season, Pak Long can still provide me with the quantity and quality I require even though he can get more profit by selling the fruit to the other buyers at a higher price. So he keeps his promise by supplying the materials to me at the agreed price. My suppliers normally tell me about the market price of the materials and compare them with their price. Sometime they give me extra materials. Even though I usually pay cash to them immediately after they send the materials, but sometimes when I don't have enough cash, I pay three or four weeks late.

ABH: Why?

PSR: Because, I do not have enough cash and need to use it for some other things.

ABH: Are they happy with their business?

PSR: We in business have to trust each other. We are not doing business for one or two weeks but for years. Therefore, we must help each other. The suppliers will tell me if they have problems, and I will help them to clear all the credits. In other words, we need each other.

ABH: Are there any other benefits?

PSR: Sometimes they also tell me where I can sell my products.

ABH: How long in average does the trust relationship in doing business exist between your suppliers?

PSR: In my experience about one year. Before that I learn how the suppliers do business and I also indirectly inform them what I expect from them. When they understand me and the way that I require them to do business with me, the relationship gets stronger.

ABH: So, from your experience you can trust them only after one year?

PSR: Yes, generally about that period.

ABH: Can I ask about your relationship with your customers?

PSR: Yes.

ABH: Who are your customers?

PSR: Shop-owners (retailers) and distributors.

ABH: How did you contact them?

PSR: My husband and I went personally to the shop-owners. Friends also help me to inform where I can sell the product. And some of the customers approach me personally, get the products and distribute it among their area.

ABH: Did you plan to contact customers?

PSR: I did not have a specific plan. But the important thing is to sell the products to as many as customers as possible. I normally think that for example, next week I want to go to a new market area and we prepare the products for selling. Then, my husband and I straight away go to that area to visit as many as shops there as possible and try to persuade them to accept our product in their shops.

ABH: At the first meeting what did you discuss with them?

PSR: Normally, I discuss the price of the product, payment, delivery and collection of the payment.

ABH: Do they accept your product on the same day?

PSR: In most cases, Yes. What I do is to give some of the products to them to try and leave the products for them to sell. I collect the money the following week and leave some new products. Normally I visit them every week and some shops every two weeks.

ABH: What about distributors?

PSR: Distributors usually inform me a week before they need the products. Then after one week, they come and collect the product. They pay cash on every order.

ABH: How did you develop a relationship with your customers?

PSR: I have to maintain the quality of products and the price. The delivery must be on time to maintain our reputation. Normally, I take back the defective products. I also give 10 percent extra to the customers who order every 100 packs.

ABH: What about the price?

PSR: This is interesting. I normally stick to the price as agreed before that RM1.00 per product. You know, some Chinese producers try to reduce the price to RM0.75 per product. I know that I can reduce the price to their price but in the end I get nothing. These producers normally will raise up their products when there is no other products in the market. I have to be careful with their tactics. Some shop owners prefer to put my product at the place where consumers find it hard to get that product because my price is higher than other products. But the consumers still want my products.

ABH: Why do you think that is so?

PSR: Because many Malay consumers prefer the products which are produced by their own people. The consumers are really concerned with clean and "halal" products. When the shop owners find that the demand on my product keeps on increasing, they begin to trust the product and my relationship with them gets better because I can also help them to make profits for their businesses.

ABH: When the customers trust your business, how do you maintain the relationship with them?

PSR: The relationship with customers is very important to my business. I need to be honest in business and comply to the customer's demands in order to make them trust me. It takes about a year for this. I have to maintain the price and quality of the products.

ABH: What benefits do you obtain from a good relationship with your customers?

PSR: Some customers help me to suggest the products to their customers by telling the Malay customers that this product is produced by a Malay manufacturer. Some of them become my good friends and when I visit their place, they may also suggest

for example to send the product a bit earlier because the demand for the product is very high.

ABH: What else do you do to maintain the relationship with your customers?

PSR: I think that is all that I can tell you.

ABH: You mentioned that friends in your groups also support your business. What support do they give? .

PSR: They give me moral support, especially at the beginning of the business. Some of them also help in telling people about my business. This indirectly helps in selling the product.

ABH: How did your relationship with them develop?

PSR: I have known them for a long time. I develop and maintain my relationship with them by participating in our group's activities.

ABH: Through out the discussion, you have mentioned your father, brothers, husband, suppliers, customers, friends, and government staff involved in supporting your business?

PSR: Yes.

ABH: Any other people?

PSR: That's all.

C. USE OF NETWORKING (NETWORK CHARACTERISTICS)

ABH: From time to time, most people discuss important business matters or business plans with other people. Looking back over the past six months:

ABH: With how many people would you estimate you have discussed aspects of running your own business over the past six months?

PSR: 10 people

ABH: Please indicate up to five (5) people with whom you feel especially willing or able to discussed business matters about running your current business?
(use name, initials or pseudonyms)

PSR: (1) My husband

(2) Brother (1st eldest)

(3) Brother (2nd eldest)

(4) Pak Long (supplier - 3 years known)

(5) Pak Ngah (supplier - 4 years known)

ABH: How many hours per week do you spend discussing business matters with those five people?

PSR: 5 hours

ABH: Please think about the relationships between the five people you named above. For each pair, indicate the relationship between these two people as far as you know it.

PSR:	strangers	somewhat acquainted	well acquainted	not sure
persons (1) & (2)	1	2	<u>3</u>	4
persons (1) & (3)	1	2	<u>3</u>	4
persons (1) & (4)	1	2	<u>3</u>	4
persons (1) & (5)	1	2	<u>3</u>	4
persons (2) & (3)	1	2	<u>3</u>	4
persons (2) & (4)	<u>1</u>	2	3	4
persons (2) & (5)	<u>1</u>	2	3	4
persons (3) & (4)	<u>1</u>	2	3	4
persons (3) & (5)	<u>1</u>	2	3	4
persons (4) & (5)	<u>1</u>	2	3	4

ABH: Can I get some information about the persons you named in question 41.

PSR:

Information	Contact persons				
	1	2	3	4	5
a. gender	male	male	male	male	male
b. race	Malay	Malay	Malay	Malay	Malay
c. relationship with you	husband	brothers	brother	suppliers	supplier
d. occupation	business	farmers	farmer	business	business
e. other					

D. CRITICAL INCIDENT

ABH: Can you recall any incident(s) that have happened to you regarding your relationship with people or events where the incident affected your business activities?

PSR: No, so far I haven't experienced anything which could have affected my business. My problem is only with employees who have not come to the job for some time.

ABH: How does this happen?

PSR: Like I told you earlier they have conflict among themselves.

ABH: How have you coped with this situation?

PSR: I visited their homes and asked why they left the jobs. I had to persuade them that their problem would be solved.

ABH: With whom you have discussed this problem?

PSR: My husband and employees.

ABH: It very interesting to learn about your networks and relationships with the people important to your business. Do you think that there is anything else you would like to tell me?

PSR: No. I think that is all I can tell you.

ABH: I am very grateful for your cooperation and as I said earlier this valuable information will be used only in my study. With that I would like to hand you this certificate in appreciation and thank you for your contribution and help with this research programme. I wish you success in your business.

PSR: Thank you.



UNIVERSITI UTARA MALAYSIA
KEDAH DARUL AMAN



UNIVERSITY OF GLASGOW
SCOTLAND

PROGRAM PENYELIDIKAN
RESEARCH PROGRAMME
(April-June 1994)

Adalah di sahkan bahawa
This is to certify that

telahpun melibatkan diri dalam program penyelidikan yang dijalankan oleh
has participated in a research programme which is being carried out by

Abu Bakar Hamed dari Sekolah Pengurusan, Universiti Utara Malaysia.
Abu Bakar Hamed of the School of Management, Universiti Utara Malaysia.

Beliau menjalankan kajian yang bertajuk "Pengurusan Networking Bagi
His research topic is "The Networking Management of small Firm

Usahawan-usahawan Firma Kecil" di bawah penyeliaan Jabatan Pengajian
Entrepreneurs" under the supervision of the Department of Management

Pengurusan, University of Glasgow, Scotland.
Studies, University of Glasgow, Scotland.

Bagi pihak kedua-dua universiti, kami suka memanjangkan ucapan
On behalf of the Universities, we would like to extend our

penghargaan dan terima kasih di atas sumbangan, kerjasama dan bantuan
appreciation and thank you for your contribution, cooperation and help with

anda di dalam program penyelidikan ini. Akhir kata kami berharap anda akan
this research programme. Finally we wish you every success

berjaya di dalam perniagaan yang anda ceburi.
in your business venture.

.....
Dekan
Sekolah Pengurusan
Universiti Utara Malaysia

.....
Director
Phd. Doctoral Programme
Department of Management Studies
University of Glasgow

GLOSSARY OF ACRONYMS

BCIC	=	Bumiputera Commercial and Industrial Community
GDP	=	Gross Domestic Product
IMF	=	Industrial Monetary Fund
KEDA	=	Kedah Regional Development Authority
KEMAS	=	Community Development Division of the Ministry of Rural Development
LCE	=	Lower Certificate of Education
LPP	=	Farmer Organization Authority
LSI	=	Large Scale Industries
MADA	=	Muda Agriculture Development Authority
MARA	=	Council of Trust for Indigenous People
MARDI	=	Malaysian Agriculture Research Development Institute
MCE	=	Malaysian Certificate of Education
MITI	=	Ministry of International Trade and Industry
MSI	=	Medium Scale Industry
NDP	=	New Development Policy
NEP	=	New Economic Policy

NPC	=	National Productivity Centre
OPP	=	Outline Perspective Plan
R&D	=	Research and Development
RISDA	=	Rubber Institute Smallholders Development Authority
SMI	=	Small and Medium Scale Industry
SSI	=	Small Scale Industry
SEDC	=	State Economic Development Corporation
SSED	=	Small Scale Enterprises Development
SIRIM	=	Standard and Industrial Research Institute of Malaysia
UNIDO	=	United Nation Industrial Development Organization